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Integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic, social and related fields

United Nations reform: measures and proposals

Follow-up to the outcome of the Millennium Summit

Review of the efficiency of the administrative and financial functioning of the United Nations

Programme budget for the biennium 2006-2007

Scale of assessments for the apportionment of the expenses of the United Nations

Human resources management

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Investing in the United Nations for a stronger Organization worldwide: detailed report

Report of the Secretary-General

Addendum

Financial management practices

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I. Introduction

1. Under proposal 17 of his report entitled "Investing in the United Nations: for a stronger Organization worldwide" (A/60/692 and Corr.1), the Secretary-General proposed a number of measures for improving financial management practices.

2. The Secretary-General had also indicated, in paragraph 75 of the same report, that adoption of the International Public Sector Accounting Standards (IPSAS) by the United Nations would be sought from Member States later in 2006. Approval of such an adoption is now sought within the context of the financial management proposals contained in the present report. This would be consistent with the United Nations system-wide adoption of IPSAS by 2010, as already endorsed by the United Nations System Chief Executives Board for Coordination (CEB) at its spring session for 2006 (Madrid, 7 and 8 April 2006).

3. The proposals contained in the present report reflect the ongoing efforts of the Secretary-General to ensure a sound financial base for the Organization, the rationalization of procedures, the improvement of financial reporting; and the facilitation of good governance, accountability and transparency. The proposals would also facilitate the decision-making of Member States on the financing of the Organization by increasing the predictability of the level of contributions on which they will be assessed.

4. A number of proposals, namely those related to the financial situation (Working Capital Fund, retention of budgetary surpluses, charging interest on arrears), seek a technical solution that will ensure the sound financial management required for the implementation of legislative mandates.

5. At the intergovernmental level, the mechanisms and instruments for accountability include regular and/or ad hoc reports of the Secretary-General, financial and budget reports, programme performance reports, and reports of the Office of Internal Oversight Services, the Joint Inspection Unit and the Board of Auditors, all of which would be submitted to the General Assembly. At the level of the Secretariat, accountability mechanisms include the Management Performance Board, the Oversight Committee, programme management plans, human resources action plans, workplans and the performance appraisal system.

6. Should the General Assembly approve the proposals contained in the present report, some elements of the Financial Regulations would in due course require revision by the Assembly. Appropriate revisions of the Financial Rules would be promulgated by the Secretary-General following approval by the General Assembly of any revised Financial Regulations.

II. International Public Sector Accounting Standards

A. Background

7. In its resolution 60/1 of 16 September 2005, the General Assembly requested the Secretary-General, inter alia, to take a number of actions for strengthening the United Nations in the context of Secretariat and management reform.

8. The present section proposes that the United Nations adopt the International Public Sector Accounting Standards for its financial statements as part of a United Nations system-wide adoption of IPSAS by 2010. The Standards represent international best practices for public sector and not-for-profit organizations accounting. This management reform measure would support more efficient use of the financial and human resources available to the Organization; improve the extent to which financial policies, regulations and rules respond to the current needs of the Organization; support efficient and effective conduct of its work; and take account of the measures already under way for the reform of human resources management and the budgetary process. The adoption of IPSAS is a vital component of the United Nations drive to excel as a modern, progressive Organization that attains — and remains up to date with — best management practices: it would improve the quality of United Nations system financial reporting and result in benefits for governance, accountability and transparency.

9. The Board of Auditors and Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency consider that IPSAS adoption would be a significant step forward to achieving the quality, consistency and comparability of United Nations system financial reporting. On 14 July 2005, the Chairman of the Panel of External Auditors wrote to the President of the General Assembly, in the context of deliberations of the 2005 World Summit, recommending that the United Nations system:

> "... apply international accounting standards, policies and practices consistently in line with recognized good practices ... with the objective of presenting stakeholders with adequate financial information uniformly and in a meaningful manner, while keeping abreast of the latest developments in financial matters".

10. The financial statements of United Nations system organizations are currently prepared in accordance with the United Nations System Accounting Standards (UNSAS). For the United Nations, this requirement is set out in rule 106.3 of the Financial Regulations and Rules. UNSAS were developed following the General Assembly's consideration of a Panel of External Auditors study on the development of appropriate accounting principles and standards for consistent application in the United Nations system (A/46/341). In response to General Assembly decisions 46/445 of 20 December 1991 and 47/449 of 22 December 1992, the Secretary-General submitted a set of common accounting standards for the United Nations system, based on the International Accounting Standards (A/48/530). In its resolution 48/216 of 23 December 1993, the General Assembly took note of that report and requested the Secretary-General and the executive heads of the United Nations organizations and programmes to take those standards into account in the preparation of their financial statements for the period ending 31 December 1993.

11. When UNSAS were first approved, they were considered high-quality accounting standards in comparison to standards applied by comparable organizations. However, UNSAS have not been able to keep up with rapidly changing accounting developments. United Nations system accountants, managers and auditors have had concerns for several years about the continued viability of UNSAS. After an in-depth review, sponsored by the CEB High-level Committee on Management (HLCM), of the possibility of United Nations system organizations adopting external accounting standards, the Task Force on Accounting Standards

recommended that the United Nations system adopt the International Public Sector Accounting Standards (IPSAS). HLCM accepted the recommendation, after endorsement by its Finance and Budget Network, on 30 November 2005 (see CEB/2005/HLCM/R.25).

12. In a letter to the Secretary-General dated 16 December 2005, the Chairman of the Panel of External Auditors stated that the decision by HLCM to adopt IPSAS was a welcome development. In April 2006, CEB endorsed a recommendation from HLCM for the adoption of IPSAS throughout the United Nations system.

B. Transparent financial reporting

Importance of accounting standards

13. The adoption of high-quality accounting standards is essential for transparent financial reporting, strong accountability and good governance. In its resolution 59/272 of 23 December 2004, the General Assembly emphasized the importance of establishing real, effective and efficient mechanisms for responsibility and accountability. In his report on accountability measures, the Secretary-General identified accounting standards as essential for achieving transparency in support of improved accountability (see A/60/312, para. 58). High-quality accounting standards are critical to the consistency and comparability of the financial statements prepared by organizations within the United Nations system. The credibility of United Nations financial statements depends on the quality of the accounting standards that regulate them and is important to ensure the confidence of Member States, donors and the general public in the United Nations.

14. IPSAS are credible, high-quality, independently produced accounting standards, underpinned by a strong due process and supported by Governments, professional accounting bodies and international organizations, such as the International Organization of Supreme Audit Institutions (INTOSAI), the Organization for Economic Cooperation and Development (OECD) and the World Bank. They represent the best international accounting practices of more than 30 Governments and a number of international organizations. OECD, the European Commission (EC) and the North Atlantic Treaty Organization (NATO) have also recently adopted IPSAS for their financial reporting. Additional information on IPSAS is provided in annex I.

Benefits of IPSAS adoption

15. The benefits of IPSAS adoption include:

(a) Improved internal control and transparency with respect to assets and liabilities generally;

(b) The alignment of United Nations accounting with best accounting practices through the application of credible, independent accounting standards on a full accruals basis;

(c) More comprehensive information about costs that will better support results-based management;

(d) The integration of non-expendable equipment into the accounting system, with resulting improvements in the accuracy and completeness of non-expendable equipment records;

(e) Improved consistency and comparability of financial statements as a result of the detailed requirements and guidance provided in each standard.

16. IPSAS adoption would result in increased transparency with respect to, for example, accounting for assets and liabilities. This increase in transparency is expected to result in better knowledge and disclosure and therefore better management of assets. The IPSAS requirement for full recognition of employee benefit obligations, such as annual leave, repatriation grants and health insurance, would support better management of these employee-related costs. Above all, the adoption of IPSAS would enable the General Assembly to hold the Secretariat to a higher level of accountability for the proper management and tracking of its financial and non-financial assets.

C. Implementation

17. The United Nations system-wide IPSAS adoption strategy has two key elements: a "two-level" approach and phased implementation. The first element, the two-level approach, involves providing resources at both the system-wide level and the individual organization level. At the system-wide level, the resources provide system-wide IPSAS adoption support, coordination and leadership, and ensure the consistent and efficient resolution of common implementation issues. At the individual organization level, dedicated organization-specific resources will be responsible for ensuring successful IPSAS implementation within each organization. Each organization must have sufficient resources to run its own internal project; implement any necessary changes to systems, procedures and financial regulations; and provide necessary staff training. The second element — phased implementation — allows a few pilot organizations or, "early adopters", to implement effective 1 January 2008, while the majority of organizations will implement effective 1 January 2010. Phased implementation is responsive to different levels of implementation readiness among organizations, and reduces costs and risks. The United Nations implementation strategy, timetable and estimated cost, as described below, are consistent with the system-wide strategy and timetable.

18. The United Nations strategy is to integrate IPSAS adoption into the proposed upgrade of its information technology systems. Implementation is expected to take four years, with the first set of IPSAS-compliant financial statements for the United Nations available for the year ending 31 December 2010, when it is anticipated that the United Nations Controller would be in a position to formally attest to the effectiveness of the internal financial controls of the Organization. This is a cost-effective strategy, which also allows the United Nations to learn from the experience of early adopters, while contributing expertise to efficiently resolve system-wide issues. In addition, the feasibility of linking the United Nations enterprise resource planning (ERP) project with the ERP projects of other United Nations system organizations that have current plans to upgrade their information systems is being pursued.

19. It is recalled that the Integrated Management Information System (IMIS) of the United Nations was custom developed for the United Nations in 1994. A project

recently completed has determined that future United Nations ERP needs would be best met through a replacement of IMIS. To meet UNSAS accounting requirements, off-the-shelf software packages required substantial, expensive customization. A decision to adopt IPSAS would place the United Nations in a better position with respect to the cost-efficient acquisition of a high-quality ERP system because IPSAS accounting requirements are compatible with off-the-shelf accounting software packages. Future ERP upgrades should also be more cost-effective because of the relative ease with which off-the-shelf software can be upgraded, in comparison with the costs of upgrading custom-developed software, such as IMIS, for one organization.

20. A provisional implementation timetable for United Nations adoption of IPSAS, including key milestones, is provided in annex II. The timetable is conditional on the availability of necessary funding and approval.

D. Conclusions and recommendations

21. High-quality accounting standards are critical to the consistency and comparability of the financial statements prepared by organizations within the United Nations system. The credibility of United Nations financial statements depends on the quality of the accounting standards that regulate them and is important to ensure the confidence of Member States, donors and the general public in the United Nations. For the biennium 2006-2007, the estimated requirements of $1,537,500 would provide for four posts (1 P-5, 1 P-4, 1 P-3 and 1 General Service (Other level)) and related costs under section 28B, Office of Programme Planning, Budget and Accounts ($1,428,900), section 28D, Office of Central Support Services ($108,600) and section 35, Staff assessment ($48,200), to be offset by an equivalent amount under income section 1, Income from staff assessment, under the programme budget for the biennium 2006-2007. In addition, estimated requirements amounting to $424,000 would provide for the portion of cost-shared of system-wide activities under section 30, Jointly financed administrative activities. It is recalled that resource requirements in the amount of $692,000 for the development and implementation of IPSAS for peacekeeping operations were proposed in the context of the report of the Secretary-General on the peacekeeping support account for 2006-2007 (A/60/727) that is currently under consideration by the General Assembly.

E. Action to be taken by the General Assembly

22. **The General Assembly may wish to:**

(a) **Approve the adoption of the International Public Sector Accounting Standards by the United Nations for its financial statements, as part of a United Nations system-wide adoption of IPSAS by 2010 at the latest;**

(b) **Appropriate a total amount of $2,009,700, comprising $1,428,900 under section 28B, Office of Programme Planning, Budget and Accounts, $108,600 under section 28D, Office of Central Support Services, $424,000 under section 30, Jointly financed administrative activities, and $48,200 under section 35, Staff assessment, to be offset by an equivalent amount under income**

section 1, Income from staff assessment, under the programme budget for the biennium 2006-2007.

III. Consolidation of peacekeeping accounts

A. Background

23. In its resolution 49/233 A of 23 December 1994, the General Assembly authorized the streamlining of the administrative and budgetary aspects of the financing of peacekeeping operations and decided, inter alia, that the budget period for peacekeeping operations would be from 1 July to 30 June. In its resolution 56/293 of 27 June 2003, the General Assembly requested the Secretary-General to submit a report to it at its fifty-seventh session on the feasibility of consolidating the accounts of the different peacekeeping operations, while following the current practice of reporting, budgeting and financing of peacekeeping operations, in accordance with the existing Financial Regulations and Rules of the United Nations.

24. In its resolution 57/319 of 18 June 2003, the General Assembly decided to defer consideration of the report of the Secretary-General on the feasibility of consolidating the accounts of the various peacekeeping operations (A/57/746), having taken into account the report of the Advisory Committee thereon (see A/57/772, paras. 20-28), and requested the Secretary-General to provide a comprehensive report, taking into account the views expressed, questions raised and information requested by Member States at its fifty-seventh session, including a simulation of the options proposed. The Secretary-General, in his report entitled "Investing in the United Nations: for a stronger Organization worldwide" (A/60/692 and Corr.1), again proposed the consolidation of peacekeeping accounts. The present comprehensive report thus responds to both the mandate of General Assembly resolution 57/319 and the proposal of the Secretary-General.

25. The current practice is for the General Assembly to consider, at each session, 17 separate resolutions on the financing of peacekeeping operations, including the support account for peacekeeping operations and the United Nations Logistics Base at Brindisi, Italy; 17 individual performance reports, and 40 separate assessments on Member States (equivalent to over 7,600 assessment letters per year).

26. The proposed consolidation of the separate peacekeeping accounts into a single set of accounts and reports, as of July 2007, aims to allow a more consistent and timely reimbursement to troop- and formed police-contributing countries by improving cash management and operational flexibility, and to simplify the legislative and administrative processes for the financing of peacekeeping operations. By providing consolidated information, it should also assist the General Assembly in better fulfilling its financial management functions.

27. The proposal focuses on the consolidation of all accounts retroactively, since this would lead to the most effective rationalization of the administrative processes for the financing of peacekeeping operations and the most consistent and timely reimbursements to troop- and formed police-contributing countries. The proposal outlines related implications, considers the benefits and identifies the issues raised that would require consideration by and approval of the General Assembly. In addition, the proposal provides, in annexes III-VIII, mock-ups of a financing

resolution, an assessment note and financial statements; an outline of the proposed consolidated performance report; a summary of the changes proposed to the current practice; and a table illustrating the effect of consolidation on the reimbursement to troop- and formed police-contributing countries for 2004 and 2005.

B. Implications

28. The consolidation of peacekeeping accounts would result in the combined recording and accounting for income, expenditure, assets and liabilities for all peacekeeping operations[1] in a single fund, while preserving the substantive identity of the budgeted provisions for and expenditures of individual missions. In line with the reform effort, the following approach for consolidation is proposed to generate the most efficiencies in administrative processes for the financing of peacekeeping operations:

(a) A single General Assembly resolution — rather than 17 separate resolutions — on the financing of peacekeeping operations, including the support account for peacekeeping operations and the United Nations Logistics Base at Brindisi, Italy, which would no longer be required to be prorated among active peacekeeping missions. Each peacekeeping operation would constitute a section of the total peacekeeping budget, as is the case for the regular budget. A mock-up of a financing resolution for peacekeeping operations is provided in annex III;

(b) Two — rather than 40 — assessments per year on Member States. The first assessment would be conducted at the beginning of the peacekeeping fiscal period and the second halfway through the financial period. In addition, assessments for peacekeeping operations would be delinked from the duration of the mandates approved by the Security Council. In the event the Security Council were to prematurely terminate a peacekeeping operation during the fiscal period, funds would still be needed for the liquidation phase of the operation, including the disposition of its assets, which, based on experience, can last up to six months. A detailed liquidation budget would be submitted by the Secretary-General to the Assembly, as is the standard practice, but additional assessments might not be required since amounts previously assessed on Member States could be used to cover the cost of liquidation. Unutilized balances remaining beyond liquidation costs would be applied, as a credit to Member States, to offset appropriations for the subsequent fiscal period of peacekeeping operations. In the event the Security Council were to establish new missions or expand the mandates of existing ones, the Secretary-General would determine the extent to which additional cash would be required, taking into consideration the immediate cash operational requirements and existing cash resources. While additional appropriations or commitment authorities would always be required, immediate assessment might not always be necessary;

(c) Voluntary cash contributions to active missions, such as the United Nations Peacekeeping Force in Cyprus (UNFICYP), would be taken into account in determining the amount of the consolidated assessment, similar to the current practice for calculating assessments for those missions. A mock-up of an assessment

[1] Except for the United Nations Emergency Force (UNEF) (1956) and the United Nations Operation in the Congo (ONUC), which would be excluded from the consolidated account as noted in paragraph 30 above; the accounts of the Peacekeeping Reserve Fund and of strategic deployment stocks activities would also be excluded from the consolidated account.

note for peacekeeping operations is provided in annex IV and a mock-up of financial statements for peacekeeping operations is shown in annex VI;

(d) Unencumbered balances, interest income and other/miscellaneous income would be utilized to offset assessments for the next financial period, as is the case for the regular budget. Unencumbered balances, interest income and other/miscellaneous income relating to voluntary cash contributions to active missions, such as UNFICYP, would be applied against voluntary cash contributions for the next financial period, similar to the current practice;

(e) The consolidation of the current 17 individual performance reports into a single consolidated report, which would be presented at the overall peacekeeping budget level and would report on consolidated expenditures compared to the overall total appropriation, as well as by mission. The report would focus on significant issues emerging from the analysis of the most important cost drivers, such as deployment of civilian and military personnel, vacancies for international and national staff and operational requirements. Results-based budgeting frameworks would continue to be presented individually for each mission as addenda to the main financial performance report. An outline of the proposed consolidated performance report on peacekeeping operations is contained in annex V;

(f) A simplified set of financial statements. A single consolidated expenditure statement combining expenditures for peacekeeping operations would be prepared. Another statement would present breakdowns of expenditures by mission and with comparisons to related appropriations. The balance sheets of individual missions would be replaced by a single consolidated balance sheet for all peacekeeping operations. A mock-up of financial statements for peacekeeping operations is contained in annex VI;

(g) Reporting on final performance reports and annual updates for closed missions would no longer be required since the peacekeeping account would be open-ended on the same pattern as currently exists for the regular budget.

C. Benefits

29. The consolidation of peacekeeping accounts into a single account would:

(a) Permit more consistent and timely reimbursement to troop- and police-contributing countries. Since consolidation results in the cash in peacekeeping accounts being commingled there would no longer be a need to defer payments for troops and contingent-owned equipment for cash-poor missions (such as the United Nations Interim Administration Mission in Kosovo (UNMIK) and the United Nations Mission for the Referendum in Western Sahara (MINURSO)). In addition, more robust payments would have been possible in respect of the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC) and the United Nations Operation in Côte d'Ivoire (UNOCI). Based on the illustrative table contained in annex VIII, a consolidated cash pool would have permitted an additional 11 to 13 per cent reimbursement of certified liabilities for troops and contingent-owned equipment. A consolidated cash pool would have allowed reimbursement of all certified COE outstanding liabilities to troop- and formed police-contributing countries. Consequently, it would have been possible, for example, to effect payments in respect of certain liabilities in closed missions that

are currently deferred due to lack of cash in their respective accounts. While consolidation would allow more consistent and timely reimbursement to troop- and police-contributing countries, overall availability of cash would continue to depend on the prompt payment of assessments overall by Member States;

(b) Facilitate planning for Member States, since the total requirements for the entire financial year for peacekeeping would be largely known at the beginning of the fiscal period;

(c) Facilitate the review of the financing of peacekeeping operations by the legislative bodies, since the number of separate reports to be considered would be reduced, and facilitate their focus and discussion on trends and significant operational issues that impact implementation of mission mandates;

(d) Allow greater flexibility in the use of peacekeeping resources, since cash could be used to meet the operational requirements of all missions up to the level of the appropriations for each mission;

(e) Simplify the legislative and administrative processes for the financing of peacekeeping operations, leading to cost reductions in editing, translating and printing as a result of fewer resolutions and reports. In addition, the consolidation of assessments, financial statements and financial performance reports would lead to a rationalization of the workload of the Contributions Service, the Accounts Division and the Peacekeeping Financing Division of the Department of Management. It is likely that Member States would also realize some benefits in the simplification that would arise for them in the processing of assessments and the related payments of contributions.

D. Specific issues to be considered

30. The General Assembly, at its 1331st plenary meeting, on 1 September 1965, decided, inter alia, that the question of the applicability of Article 19 of the Charter of the United Nations would not be raised with regard to the United Nations Emergency Force (UNEF) and the United Nations Operation in the Congo (ONUC). Consequently, contributions outstanding for those operations from a number of Member States have not been included in the annual calculations for the application of Article 19 of the Charter related to the loss of voting rights in the Assembly. Taking into account the complex history underlying that decision, the Secretary-General proposes to exclude UNEF and ONUC from the consolidated account. In addition, the accounts of the Peacekeeping Reserve Fund and of strategic deployment stocks activities would also be excluded from consolidation given the distinct and special purposes for which they were created.

31. The timing of implementation needs to be considered. Taking into account that the implementation of such proposals should come into effect at the beginning of the fiscal period and in order to allow sufficient lead time for implementation of related changes, it is proposed that the consolidation of peacekeeping accounts be implemented effective no later than 1 July 2007, for the upcoming 2007/08 financial period.

32. Based on past experience, the current overall level of the Peacekeeping Reserve Fund of $150 million is considered adequate to cover requirements for start-up or expansion of peacekeeping operations. The consolidation of

peacekeeping accounts would strengthen liquidity and working capital further. It would also permit repayment of the long outstanding loan of $12.8 million by the United Nations Mission in the Central African Republic (MINURCA), which would restore the fund balance of the Reserve Fund to its original level. As part of the Secretary-General's proposals for providing a sound and robust financing structure for peacekeeping operations and bearing in mind the potential size of new or expanded missions, it is proposed to increase the current limit of $50 million commitment authority per Security Council decision. This initiative is further elaborated in section IV below.

33. As indicated in the Secretary-General's report of 18 October 2005 on the updated financial position of closed peacekeeping missions (A/60/437), as at 30 June 2005 there was a balance of some $126.3 million in cash available for credit to Member States from the United Nations Mission in Bosnia and Herzegovina (UNMIBH), the United Nations Mission in Haiti (UNMIH), the United Nations Observer Group in Central America the United Nations Observer Mission in El Salvador (ONUCA/ONUSAL), the United Nations Preventive Deployment Force (UNPREDEP), the United Nations Peace Forces (UNPF), the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium/United Nations Civilian Police Support Group (UNTAES/UNPSG), the United Nations Angola Verification Mission/United Nations Observer Mission in Angola (UNAVEM/MONUA), the United Nations Observer Mission Uganda-Rwanda/United Nations Assistance Mission for Rwanda (UNOMUR/UNAMIR), the United Nations Military Liaison Team in Cambodia (UNMLT), the United Nations Mission of Observers in Tajikistan (UNMOT), the United Nations Transition Assistance Group (UNTAG), the United Nations Observer Mission in Liberia (UNOMIL) and the United Nations Iran-Iraq Military Observer Group (UNIIMOG). In the light of the overall improvements in liquidity that would flow directly from consolidation of peacekeeping operation accounts, the Secretary-General proposes that the above credits, as updated by their status as at 30 June 2006, be returned to Member States as a one-time action to commence with the implementation of consolidation (1 July 2007). Such credits would first be applied to settle outstanding assessments, on a mission-by-mission basis, and thereafter remaining amounts would be applied at the discretion of the Member State. Should a Member State wish to receive a cash refund, this would be effected on the date of the consolidation.

34. Concurrently with the actions proposed in paragraph 33 above to return credits to Member States, the Secretary-General also proposes, in the light of the overall liquidity improvement that would flow from the consolidation of peacekeeping operations accounts, to settle amounts due to Member States in other closed missions that have cash deficits. In his report of 18 October 2005 (A/60/437), the Secretary-General identified a combined cash deficit totalling $90.6 million in the accounts of the United Nations Verification Mission in Guatemala (MINUGUA), the United Nations Operation in Mozambique (ONUMOZ), the United Nations Operation in Somalia (UNOSOM), the United Nations Support Mission in Haiti/United Nations Transition Mission in Haiti/United Nations Civilian Police Mission in Haiti (UNSMIH/UNTMIH/MIPONUH), the United Nations Transitional Authority in Cambodia (UNTAC) and MINURCA. The cash deficit arises from liabilities of $95.7 million (comprising $69.4 million to troop-contributing countries, $12.8 million to the Peacekeeping Reserve Fund, $12.8 million to closed

missions with cash surpluses and $0.7 million in other liabilities to Member States and third parties) less cash of $5.1 million. The Secretary-General proposes that those liabilities, as updated by their status as of 30 June 2006, be settled on the date of consolidation of the accounts (1 July 2007) in a one-time action to commence the implementation of consolidation.

35. Consolidation of accounts has an impact on the treatment of outstanding assessments. In particular, the following should be noted:

(a) In its decision 49/470 of 23 December 1994, the Assembly decided that the question of applicability of Article 19 would not arise with regard to the peacekeeping arrears of Belarus and the Ukraine as at 1 January 1995 and for 1995. Subsequently, in its resolution 54/242 of 23 December 1999, the Assembly decided that all contributions of Belarus and the Ukraine should be taken into account when determining whether they had made the necessary minimum payment to avoid the application of Article 19, as determined in accordance with decision 49/470. The continued implementation of the above-mentioned decision and resolution would necessitate that the peacekeeping arrears of those two countries arising before 1996 be kept distinct from arrears arising for 1996 and subsequent years;

(b) For each Member State, as of the date of implementation of the consolidation (1 July 2007), all existing outstanding and unpaid balances to all peacekeeping operations (active and closed missions), except for outstanding amounts for UNEF and ONUC and the peacekeeping arrears of Belarus and the Ukraine arising before 1 January 1996 as noted above, would be combined into one amount. Payments received subsequent to the effective date of the consolidation would be applied first to settle those amounts in total (without regard to individual peacekeeping operation and/or mandate periods), in accordance with Regulation 3.5 of the Financial Rules and Regulations;

(c) With regard to amounts in suspense in favour of Member States, all existing unapplied credit balances and overpayments to all peacekeeping missions would also be combined and offset in total against the outstanding and unpaid balances in existence at that date. Remaining unapplied amounts would be carried forward and applied to the consolidated assessments issued subsequent to the effective date of implementation.

E. Action to be taken by the General Assembly

36. **The General Assembly may therefore wish to:**

(a) **Consolidate the various peacekeeping accounts retroactively, excluding those of UNEF, ONUC, the Peacekeeping Reserve Fund and the strategic deployment stocks, effective 1 July 2007;**

(b) **Consolidate the individual resolutions on the financing of peacekeeping operations, including the support account for peacekeeping operations and the United Nations Logistics Base at Brindisi, Italy, into a single resolution beginning with the 2007/08 fiscal period for peacekeeping operations;**

(c) Consolidate the various peacekeeping assessments on Member States into two assessments at the beginning and at the halfway point of the peacekeeping fiscal period, starting with the peacekeeping 2007/08 period;

(d) Approve the delinking of assessments for peacekeeping operations from the duration of the mandates approved by the Security Council and issue assessments in two separate components in accordance with appropriations for the financial period for peacekeeping operations;

(e) Apply to the consolidated account the standard practice of utilizing unencumbered balances, interest income and other/miscellaneous income to provide the first element of financing of appropriations for the subsequent fiscal period, thereby reducing the net level of assessments to be charged to Member States;

(f) Approve the consolidation of individual performance reports into a single report that would provide the overall peacekeeping budget level as well as performance data identifying the budget provisions and expenditures for each individual mission;

(g) Return to Member States credits available in the accounts of closed missions with cash surpluses; such credits would first be applied to settle outstanding assessments, on a mission-by-mission basis, and thereafter be applied at the discretion of the Member State. Should a Member State wish to receive a cash refund, the refund would be effected on the date of the consolidation;

(h) Settle outstanding liabilities in the accounts of closed missions with cash deficits, except for ONUC and UNEF, on the date of consolidation.

IV. Commitment authority for peacekeeping operations

37. In his report entitled "Investing in the United Nations: for a stronger Organization worldwide" (A/60/692 and Corr.1), the Secretary-General recommended that the ceiling of the commitment authority granted by the General Assembly for peacekeeping operations be increased from $50 million to $150 million and delinked from a specified number of Security Council decisions.

A. General

38. In its resolution 49/233 of 31 March 1995, the General Assembly decided that, if a decision of the Security Council relating to the start-up phase or expansion phase of peacekeeping operations resulted in the need for expenditure, the Secretary-General was authorized, with the prior concurrence of the Advisory Committee and subject to the Financial Regulations of the United Nations, to enter into commitments not to exceed $50 million per decision of the Security Council. The cumulative total of outstanding commitment authority, in respect of the start-up expansion phase of peacekeeping operations, was not to exceed $150 million at any one time; however, appropriation by the General Assembly of any outstanding commitments would automatically restore the balance of the limit of $150 million to the extent of the amount appropriated.

39. In the same resolution, the General Assembly also decided that, if a decision of the Security Council resulted in the need for the Secretary-General to enter into commitments for the start-up phase of peacekeeping operations in an amount exceeding $50 million per decision of the Security Council or exceeding the total of the $150 million referred to above, the matter should be brought to the General Assembly, as soon as possible, for a decision on commitment authority and assessment.

40. Those decisions of the General Assembly were taken in order to allow the Secretary-General to take action in a timely manner prior to the preparation and approval of the budget for the peacekeeping operation in question. The commitment authority for the start-up of a mission would enable the Secretary-General to purchase, transport and install required equipment; charter aircraft; enter into contracts for services; identify and assign or recruit personnel; and contract or construct temporary accommodation. The concept of strategic deployment stocks was proposed by the Secretary-General in his report A/56/870 of 14 March 2002. Its implementation was endorsed by the Advisory Committee in its report A/56/902 of 5 April 2002 and approved by the Assembly in its resolution 56/292 of 27 June 2002 to ensure operational readiness for rapid deployment. The "start-up phase" actions and activities envisaged in the concept of strategic deployment included the establishment of the technical assessment and advance teams; concurrence of the Advisory Committee for pre-mandate commitment authority to meet the costs of the teams, the procurement of supplies and services with long lead times and the recruitment of personnel for the establishment of the mission headquarters; contract arrangements for strategic sealift and/or airlift and other services; and preparation of shipment of items from strategic deployment stocks. The General Assembly, in its resolution 59/299 of 22 June 2005, approved the inclusion of strategic deployment stocks replenishment within the commitment authority described in section IV, paragraph 1, of General Assembly resolution 49/233 A.

41. In view of the increasing size of new and expanding peacekeeping operations, including complex integrated structures and large military components and in the light of the fact that it is a current practice of the Secretariat to include projected expenditures for the replenishment of strategic deployment stocks in the overall estimate of requirements based on a decision of the Security Council relating to the start-up phase or expansion of peacekeeping operations, it is now necessary to review the level of commitment authority currently established at a ceiling of $50 million per decision of the Security Council, not to exceed three such decisions.

42. The strategic deployment stocks modules concept of deployment and the composition of an integrated planning team are detailed in annexes IX and X.

B. Proposed model for planning and start-up, including strategic deployment concept and replenishment

43. The concept of the strategic deployment stocks presented in document A/56/870 has been reviewed based on lessons learned and experience gained in recent start-ups and expansions of the United Nations Stabilization Mission in Haiti (MINUSTAH), the United Nations Operation in Burundi (ONUB), ONUCI, the United Nations Mission in Liberia (UNMIL) and the United Nations Mission in the Sudan (UNMIS).

44. As indicated in document A/56/870, "D-day" is the day that the Security Council approves a resolution. The mission inauguration date (or the transfer of authority in a re-hatting scenario) is assumed to take place 20 days after D-day (D+20), as was the case for UNMIL (Security Council resolution 1509 (2003) of 19 September 2003). The strategic deployment stocks concept as presented in document A/56/870 was based on stocks being deployed between D+15 and D+30, and prescribed a plan for offloading an estimated nine ships of strategic reserve in a start-up mission's seaport within two weeks. The original deployment period has proven to be overambitious and has been revised to a more realistic time frame, with the arrival of the strategic deployment stocks to the mission between D+10 and D+60, including the deployment 50 days before D-day (D-50) of a fly-away kit to support the advance team. The arrival of stocks assumes an average of 30 days for sea-shipment and handling. All strategic deployment stocks items would be transported by sea except for the fly-away kit, which would be airlifted. The schedule of dispatch or mode of transportation of strategic deployment stocks modules from the Logistics Base in Brindisi, Italy, can be adjusted to meet the mission's operational requirements, including providing material support for re-hatted troops.

45. Personnel strengths and operational requirements are in accordance with the original concept presented in document A/56/870 and are based on the deployment of a complex mission of 10,000 troops, 500 military observers, 500 United Nations police, 375 international staff and 575 national staff. Information on the detailed planning assumptions is contained in annex IX.

46. The replenishment value of strategic deployment stocks modules to start-up a mission from the Logistics Base reserve in Brindisi, Italy, including an average replenishment freight of 7 per cent and excluding the strategic lift from the Logistics Base to the mission, is estimated at $153.6 million. Of that amount, $77.1 million would cover the replenishment of a fly-away kit, a mission headquarters main module, air and seaport of debarkation modules, a transit camp module, a formed police unit module and military observers, United Nations police, infantry battalion, engineering, medical and logistics unit modules, which are required up to 50 days prior to D-day.

47. In addition, an amount of $76.5 million would cover the replenishment of a mission headquarters complementary module, sector headquarters and headquarters support unit modules, infantry battalion, aviation, medical and demining unit modules and a reserve company module, which are required up to 30 days after D-day. This would allow for replenishment of strategic deployment stocks to be effected before the initial budget of a mission is finalized and a commitment authority or appropriation with assessment is approved by the General Assembly, which can take up to 90 days after D-day.

48. The rapid reconstitution of strategic deployment stocks is critical to maintain the readiness of the Department of Peacekeeping Operations to deploy to subsequent missions in a timely manner. Delaying the replenishment of strategic deployment stocks could diminish its ability to support other new missions.

Proposed rapid deployment sequence and estimated cost

(Millions of United States dollars)

D-Day	*Modules dispatched from UNLB*	*Value of strategic deployment stocks*	*Average replenishment freight*	*Total replenishment value of strategic deployment stocks*
D-50	Fly-away kit (airlift)	4.5	0.3	4.8
D-20	Mission headquarters main module	36.2	2.7	39.9
D-10	Airport of debarkation, seaport of debarkation, transit camp, military police unit modules	13.7	1.0	14.7
D-0	Military observers teams, United Nations police teams, infantry battalion, engineering unit, medical level 2 unit, logistics unit modules	17.4	1.3	18.7
Subtotal		**71.7**	**5.4**	**77.1**
D+10	Mission headquarters complementary, 3x sector headquarters, headquarters support unit, 2x infantry battalion, aviation unit, medical level 2 unit, demining unit, reserve company modules	61.0	4.6	65.6
D+30	2x logistics unit, formed police unit, military observers modules	10.1	0.8	10.9
Total		**142.8**	**10.8**	**153.6**

C. Planning team

49. The model for planning and start-up also proposes to include in the pre-mandate commitment authority resources for a dedicated planning team in the Department of Peacekeeping Operations and technical assessment missions. Planning for a new start-up mission requires dedicated capacity within the Department. Despite increases in the Department's staffing in the last five years based on recommendations made by the Panel on United Nations Peacekeeping Operations (see A/55/305-S/2000/809) the increase in the number and complexity of peacekeeping missions in recent years has fully absorbed the Department's resources for managing peacekeeping missions. Consequently, there is no excess capacity in the Department of Peacekeeping Operations to undertake dedicated planning for new complex start-up missions.

50. The range of peacekeeping activities has broadened in scope, dimension and complexity, with all five missions established in the last two years having wide

multidimensional mandates. In addition, in such cases as UNMIL, ONUB and UNOCI, military contingents have been re-hatted under United Nations command. Those factors require careful and dedicated planning to ensure that on D-day the missions can effectively discharge the mandates approved by the Security Council. It is therefore essential that integrated planning teams be established at Headquarters for the start-up of complex missions.

51. The composition of the planning team would be determined on a case-by-case basis and presented to the Advisory Committee for its review and concurrence as part of the pre-mandate commitment authority. Based on the requirements noted above for the deployment of a complex mission, the cost of establishing an integrated planning team of 43 temporary posts for up to a 6-month period is estimated at $7.2 million. This estimate is based on the composition of the team established in connection with the preparation for the potential expansion of the United Nations Mission in the Sudan. Details on the composition of the planning team and related costing parameters are provided in annex X.

D. Conclusions

52. The model shows that for a complex mission, the current pre-mandate commitment authority of $50 million is inadequate to cover not only mission planning and start-up as originally conceived but also complete strategic deployment stocks replenishment, which is critical to ensure that adequate stocks are available to enable rapid deployment of peacekeeping operations.

53. The Secretary-General proposes to increase the level of an individual pre-mandate commitment authority of $50 million. Pre-mandate commitment authority would be requested based on the individual mission planning requirements, including necessary replenishment of the strategic deployment stocks, up to but not to exceed the level of the Peacekeeping Reserve Fund of $150 million.

54. Should the situation arise where the Peacekeeping Reserve Fund is fully committed and the establishment of a new peacekeeping mission is anticipated, the matter would be brought to the General Assembly as soon as possible for a decision on commitment authority and assessment, in accordance with the provisions of section IV of Assembly resolution 49/233 A.

55. This proposal would not require additional funding from Member States since the existing limit of the Peacekeeping Reserve Fund would be maintained.

56. Furthermore, governance and oversight arrangements would remain unchanged. Prior concurrence of the Advisory Committee would continue to be required to enter into commitments for the start-up of peacekeeping operations, in accordance with the provisions of section IV of Assembly resolution 49/233 A.

57. The General Assembly would have to amend the current delegation to the Advisory Committee for the approval of commitment authority from "not to exceed $50 million" to "not to exceed $150 million". Financial regulations 4.6 and 4.8 would also require amendment to reflect the change in the limits of commitment authority.

58. The proposed arrangements for financing start-up and expansion of peacekeeping missions, including revisions to the limit of commitment authority

financed by the Peacekeeping Reserve Fund, would become effective on the commencement of the next peacekeeping financial year.

E. Action to be taken by the General Assembly

59. **The General Assembly may wish to:**

(a) **Authorize the Secretary-General, with the prior concurrence of the Advisory Committee on Administrative and Budgetary Questions, to enter into commitments not to exceed the current authorized level of the Peacekeeping Reserve Fund of $150 million, regardless of the number of Security Council decisions;**

(b) **Increase the current delegation of commitment authority to the Advisory Committee to the current authorized level of the Peacekeeping Reserve Fund of $150 million;**

(c) **Amend financial regulations 4.6 and 4.8 by replacing in each case the figure of $50 million by $150 million.**

V. Working Capital Fund

60. The Working Capital Fund was first established in 1946 to provide the advances necessary to finance budgetary appropriations, pending the receipt of contributions, and to finance unforeseen and extraordinary expenses pending appropriation action by the General Assembly. The Fund is re-established by General Assembly resolution each biennium, currently for the biennium 2006-2007. Member States' advances to the Fund are based on the size of the Fund and their rates of assessment in the first year of the biennium. Upon becoming Members of the Organization, new Member States are also called on to make advances to the Working Capital Fund based on the size of the Fund and their rates of assessment in the first year of their membership. From the beginning of the United Nations, the level of the Working Capital Fund, as well as deliberations on whether increases in that level were required, have been based on the size of the Fund as a percentage of authorized appropriations. The Working Capital Fund is established at the beginning of each biennium by a specific resolution of the General Assembly, most recently resolution 60/250 of 23 December 2005.

61. When the Working Capital Fund was increased from $40 million to $100 million by General Assembly resolution 36/116 B of 10 December 1981, Member States recognized and responded to the fact that the level of the Fund had declined from 43.1 per cent of the annual budget in 1963 ($92,876,550), equivalent to approximately 5 months of expenditure, to 6 per cent of the corresponding figure for 1981 ($669,575,600), equivalent to less than 1 month of expenditure. The increased level of $100 million has not changed since that time despite proposals for increases — to $150 million in 1985, $200 million in 1989 and 1990, and $250 million in 1991 — in the context of the reports of the Secretary-General on the financial emergencies of the United Nations.

62. The Advisory Committee on Administrative and Budgetary Questions, in reviewing each of the above-mentioned proposals, expressed the view that an

increase in the Working Capital Fund would not be a solution to the particular financial difficulties of the United Nations at the time, and that an increase in its size should only be contemplated as a purely technical consequence of an increase in the size of the Organization's assessed budgets and not as a solution to a political problem.

63. Although resort to the Working Capital Fund is necessitated by the non-payment or late payment of assessed contributions, the level of outstanding contributions has not been the basis for proposing increases in the level of the Fund so much as the relationship between the level of the Fund and that of the regular budget. Given the level of outstanding contributions to the regular budget (over $333 million at the end of 2005 and over $1 billion currently), a Working Capital Fund at a level of $100 million or even at $250 million could not fully compensate for unpaid assessments. Even with an improvement in the rate and timeliness of payment of assessed contributions, the practice of sound financial management would dictate the necessity of having adequate cash reserves so that the United Nations can in its turn meet its financial obligations in a timely fashion.

64. Since the level of the Fund was last increased, the level of the programme budget has increased to $3,798.9 million for 2006-2007. The Fund, at $100 million, now stands at a little over 5.2 per cent of the current regular budget for one year ($1,899,900), covering only about two to three weeks of regular budget expenditure. This clearly does not represent sound financial management.

65. An increase in the level of the Fund is clearly overdue. Over the last 7 years, the regular budget and related reserves, including the Working Capital Fund and the Special Account, have periodically been exhausted, resulting in the need to cross-borrow from peacekeeping accounts during up to 5 months in any given year for amounts of between $25 million and $90 million. An increase of the Working Capital Fund to $250 million would raise coverage to approximately 13 per cent of the annual regular budget, or about 1.5 months of regular budget expenditure, still far below the original relative level of the Fund when first established.

66. In order to avoid disruption to the activities of the Organization, it would be prudent for the Working Capital Fund to be established at a level of at least $250 million.

67. Transparency in management of the Working Capital Fund is maintained through reporting on its use in the context of the first and second performance reports on the programme budget. The Secretary-General is accountable for the use of these funds and the status of the Fund is reported in the statement of accounts of the Organization, which is subject to audit by the Board of Auditors on a regular basis.

Action to be taken by the General Assembly

68. **The General Assembly may wish to authorize an increase in the level of the Working Capital Fund to $250 million.**

VI. Budget surpluses

69. Financial regulations 5.3, 5.4 and 5.5 provide for the return of any budgetary surplus (unencumbered balance) to Member States after a financial period. When these financial regulations are applied, the United Nations returns to each Member State directly or indirectly its share of the balance of the appropriations not required to discharge obligations in respect of goods, supplies and services rendered in the financial period. During past financial crises, these regulations have occasionally been suspended to bolster the Organization's cash position.

70. As one measure to deal with the Organization's financial problems, the General Assembly suspended the provisions of financial regulations 5.3, 5.4 and 5.5 in respect of the surpluses under the regular budget arising at the end of 1972 ($3.9 million) and at the end of the biennia 1980-1981 ($20.1 million), 1982-1983 ($25.4 million), 1984-1985 ($10.6 million) and 1986-1987 ($154.9 million). The Assembly subsequently authorized the application of those surpluses to write off the arrears of South Africa ($53.9 million), to finance the Peacekeeping Reserve Fund ($82.6 million) and to finance the UNITAR building ($10.0 million), so that the remaining balance currently stands at $68.4 million. On a number of occasions, the Assembly also suspended the provisions of financial regulations 5.3, 5.4 and 5.5 for UNIFIL and for UNEF/UNDOF, thereby retaining a total of $108.5 million from UNIFIL and $64.9 from UNEF/UNDOF. The Assembly subsequently decided to return part of these surpluses to Member States ($63.3 million for UNIFIL in 2004 and $13.6 million for UNEF/UNDOF during the period 1999-2001) and to write off the arrears of South Africa in 1995 ($25.6 million for UNIFIL and $15.3 million for UNEF/UNDOF). The balance of retained surpluses currently stands at $19.6 million for UNIFIL and $36.0 million for UNEF/UNDOF.

71. The suspension of the provisions of financial regulations 5.3, 5.4 and 5.5 with respect to the regular budget, UNIFIL and UNEF/UNDOF was designed to increase the cash available to the United Nations by enabling the Organization to retain, temporarily, any budgetary savings that may have been available. The extent to which this measure achieves its objective, however, depends on the extent to which Member States pay the additional assessments stemming from the retention of surpluses.

72. In the context of its consideration of measures to encourage the payment of Member States' arrears to the United Nations, the Committee on Contributions has considered the return or retention of unencumbered balances and surpluses being made dependent on the status of a Member State's payments of assessed contributions. Various alternative approaches were considered by the Committee at its fifty-ninth, sixty-second, sixty-fourth and sixty-fifth sessions (see A/54/11, A/57/11, A/59/11 and A/60/11), including on the basis of a report by the Secretary-General in 2002 on measures to encourage Member States in arrears to reduce and eventually pay their arrears (A/57/76). The Committee sought guidance thereon from the General Assembly, which has not so far been forthcoming. At its sixty-fifth session, the Committee decided not to consider the question of measures to encourage the payment of arrears further unless it receives any guidance thereon from the General Assembly.

73. At the end of 2005, assessed contributions outstanding from Member States totalled over $3.2 billion — over $2.9 billion for peacekeeping operations, over

$333 million for the regular budget, almost $25 million for the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda and over $10 million for the capital master plan. In short, the financial problems facing the United Nations are far from over.

74. Transparency in the management of budget surpluses is maintained through reporting on such surpluses in the context of closed accounts for the relevant financial periods concerned. The statement of accounts are subject to audit by the Board of Auditors on a regular basis.

Action to be taken by the General Assembly

75. **Pending an improvement in the Organization's financial situation, the General Assembly may wish to:**

(a) **Decide that budgetary surpluses should be retained temporarily through the suspension of the relevant parts of financial regulations 5.3, 5.4 and 5.5;**

(b) **Decide whether the future distribution of surpluses might be applied to:**

(i) **Establishing a fund to accommodate unanticipated expenditures arising from exchange rate fluctuations and inflation;**

(ii) **Meeting the Organization's unfunded liabilities arising from the after-service health insurance scheme; or**

(iii) **Financing an increase in the Working Capital Fund.**

VII. Fund to accommodate unanticipated expenditures arising from the exchange rate fluctuations and inflation

76. Paragraphs 10 and 11 of annex I to Assembly resolution 41/213 on the contingency fund and additional expenditures read as follows:

"10. A comprehensive solution to the problem of all additional expenditures, including those deriving from inflation and currency fluctuation, is also necessary. It is desirable to accommodate these expenditures within the overall level of the budget, either as a reserve or as a separate part of the contingency fund set up in paragraph 8 [of annex I to the resolution]. The Secretary-General should examine all aspects related to the question and report, through the Advisory Committee on Administrative and Budgetary Questions and the Committee for Programme and Coordination, to the General Assembly at its forty-second session.

"11. Pending a decision by the General Assembly on the question dealt with in paragraph 10 above, the revised estimates arising from the impact of extraordinary expenses, including those relating to the maintenance of peace and security, as well as fluctuations in rates of exchange and inflation, shall not be covered by the contingency fund and shall continue to be treated in accordance with established procedures and under the relevant provisions of

the Financial Regulations and Rules. The Secretary-General should nevertheless make efforts to absorb these expenditures, to the extent possible, through savings from the programme budget, without causing in any way a negative effect on programme delivery and without prejudice to the utilization of the contingency fund."

77. Over the last few decades, the General Assembly has sought a comprehensive solution to the problem of additional expenditures arising from inflation and currency fluctuations. In recent years, renewed attention has been focused on this issue. In paragraph 44 of its resolution 56/253 of 24 December 2001, the Assembly requested the Secretary-General to submit an updated study of the issue, taking into account its resolution 41/213 of 19 December 1986. Subsequently, reports were submitted by the Secretary-General at the fifty-seventh and fifty-eighth sessions of the General Assembly. Pursuant to the request of the General Assembly, the Board of Auditors also reported at the fifty-ninth session on this issue, recommending the establishment of a reserve fund to cover additional expenditures related to such factors as exchange rate variations and inflation.

78. Pursuant to resolution 56/253, the report of the Secretary-General to the General Assembly at its fifty-seventh session (A/57/471) provided an updated study, while at the same time recapping the earlier series of reviews on the issue. In order to address the issue comprehensively, much of the information previously summarized in that report is reflected below.

79. As indicated in the above-mentioned report (A/57/471), notable reviews date as far back as the early 1970s, when the Advisory Committee on Administrative and Budgetary Questions, the Administrative Committee on Coordination and the Working Group on Currency Instability reported on the subject. The Working Group, composed of 13 Member States designated by the President of the General Assembly, was mandated to consider alternative solutions to difficulties resulting from the effect of continuing currency instability and inflation on the budgets of the United Nations system. The General Assembly reviewed the alternatives outlined in the report of the Working Group (A/9773) and noted that it had found no generally agreed alternatives to the policies already utilized. Other reports covering this issue include the reports of the Secretary-General to the General Assembly at its forty-second (A/42/225 and Add.1), forty-fourth (A/44/665) and fifty-first sessions (A/C.5/51/57). Related reports were made by the Advisory Committee to the General Assembly at its forty-second (A/42/7), forty-third (A/43/929), forty-fourth (A/44/729) and fifty-second sessions (A/52/7/Add.2).

80. In the report submitted to the Assembly at its forty-second session (A/42/225 and Add.1), the Secretary-General highlighted a number of relevant points. First, the magnitude of adjustments due to changes in rates of inflation and exchange and standard cost adjustments is such as to make it virtually impossible to foresee from the outset the level of expenditures in a biennium. Further, the magnitude of such changes can be such as to make any savings effected in the course of the implementation of the budget totally inadequate. Even if it were agreed that additional requirements arising from changes in rates of inflation and exchange and standard cost adjustments should be met through the reduction of programme activities, the level of savings that might be required and the inability of the Organization to effect such savings at short notice would force the adoption, on a continuing basis, of economy measures, such as those in place at times of severe

financial crisis. In the same report, the Secretary-General noted that, while the continuation of the current methods of dealing with such adjustments appeared to be the least inconvenient approach, a reserve could be utilized to handle such adjustments and, on the basis of experience of the past few biennia (1980-1981, 1982-1983 and 1984-1985), a provision of $125 million would not appear unreasonable.

81. In its related report (A/42/7), the Advisory Committee expressed the view that the question merited further study and indicated its intention to look at the matter closely with a view to formulating specific recommendations to the Assembly at its forty-third session. In its report to the Assembly at that session (A/43/929), the Committee reviewed the practices of specialized agencies in this respect and outlined the variety of methods that were in use. The Committee concluded that there was an unavoidable cost to mitigating the effects of inflation and currency fluctuation and the Assembly might therefore wish to consider the continuation of the current system, whereby the estimate of requirements is adjusted annually on the basis of the most recent forecast by the Secretary-General of inflation and exchange rates.

82. On the other hand, the Committee pointed out that, if the Assembly decided to proceed with seeking a comprehensive solution to the problem, a mechanism to achieve a greater degree of certainty than existed at that time could be explored. Such a mechanism could be the establishment of a reserve that would cover additional requirements due to currency fluctuation, non-staff cost inflation and statutory cost increases for staff. In its resolution 43/214 of 21 December 1988, the Assembly agreed to the concept of a reserve that would cover additional requirements due to currency fluctuation, inflation in non-staff costs and statutory cost increases for staff; requested the Secretary-General to formulate a set of procedures for the operation of the reserve fund to be submitted through the Advisory Committee to the Assembly at its forty-fourth session; and agreed to address further at that time the question of setting up such a reserve for the biennium 1990-1991.

83. In response to that request, the Secretary-General prepared a report on the establishment and operation of a reserve fund (A/44/665), in which he stated that the purpose of the reserve fund would seem to be to minimize, during any given biennium and to the extent possible, changes in the level of the programme budget resulting from variations in the forecast included in the programme budget in respect of currency fluctuation, inflation in non-staff costs and statutory cost increases for staff or, as stated by the Advisory Committee in its report (A/43/929), to achieve a greater degree of certainty than existed at that time. The report identified two possible ways to establish and fund a reserve: either as a separate fund outside the programme budget or as a section within the programme budget. In either case, the reserve would be funded through assessed contributions. Guidelines for the operation of such a reserve fund, as initially set out in the above-mentioned report of the Secretary-General (A/44/665), are outlined in annex XI.

84. The Advisory Committee, in its related report (A/44/729), expressed a number of difficulties with the concept put forward by the Secretary-General, pointing out, for example, that the idea of financing the reserve fund from the outset through assessment would not allow Member States a more precise idea of the final total

amount to be paid than was currently the case and, in addition, would result in advance payment for requirements that might or might not materialize.

85. The Committee recommended that consideration of a reserve fund should be deferred until the forty-sixth session of the Assembly, at which time it should be taken up again on the basis of a further report by the Secretary-General. In its resolution 44/200 B of 21 December 1989, the Assembly decided to keep under review the question of a comprehensive solution to the problem of all additional expenditures, including those deriving from inflation and currency fluctuation, and to consider it again at its forty-sixth session. The Assembly did not, however, revert to the question at its forty-sixth session.

86. In its resolution 51/220 of 18 December 1996, the General Assembly requested the Secretary-General to prepare a comprehensive policy paper that would examine all issues related to the question of all additional expenditures referred to in paragraphs 10 and 11 of annex I to Assembly resolution 41/213. In the report prepared in response to that request (A/C.5/51/57), the Secretary-General noted that the adjustments of this nature required during the bienniums 1994-1995 and 1996-1997 had confirmed the significance and volatility of such fluctuations. It was noted that the establishment of an outline of the programme budget and a contingency fund under General Assembly resolution 41/213 reflected the desire of Member States to know at the outset of a biennium the level of resources that would be required during that biennium. It was also noted that that goal had been partially achieved and that the Secretary-General, through the outline, had been given a guideline on which to proceed. It was further noted that while the initial level of the budget and the potential addition through the mechanism of the contingency fund were known in advance, subsequent changes due to inflation and currency fluctuation had given rise to automatic adjustment in the budget.

87. In order to ensure greater predictability and minimize changes in the level of the programme budget resulting from those fluctuations, two possible alternative courses of action were envisaged in the report:

(a) The first would be to absorb the costs of increases resulting from inflation and currency fluctuation. In view of the amounts involved, the absorption of such costs would lead to a significant erosion in the real volume of resources available in the programme budget. The issue was compounded by the nature of currency fluctuations. Since they could not be foreseen in advance and since the Organization was unable to effect savings of a significant magnitude at short notice, it would be necessary to initiate at the outset of a biennium such savings measures as those that had been required to comply with resolution 50/214 of 23 December 1995 in the current biennium. That alternative did not appear desirable;

(b) The second possible course would be the establishment of a reserve fund as initially envisaged by the Secretary-General in his report to the Assembly at its forty-fourth session (A/44/665). The reserve could be funded from assessed contributions and replenished through savings due to variations in the forecast included in the programme budget in respect of currency fluctuation, inflation in non-staff costs and statutory cost increases for staff, or through further assessed contributions, as necessary.

88. It was acknowledged that the disadvantage of such a system would be that Member States could be presented with an unnecessary financial burden, having to

pay in advance assessments that might prove to be unnecessary. It was noted that, under the circumstances, the existing mechanism for dealing with inflation and currency fluctuation might still be the most appropriate.

89. In its related report (A/52/7/Add.2), the Advisory Committee shared the Secretary-General's view that the absorption of such costs would lead to an erosion in the real volume of resources available and therefore did not appear to be a desirable alternative. At the same time, it recalled its difficulty with the idea of financing a reserve from the outset through assessment even before the need for recourse to it had been identified. The Advisory Committee concurred with the Secretary-General's conclusion that under the circumstances, the current mechanism for dealing with inflation and currency fluctuation might still be the most appropriate. In its decision 54/481 of 15 June 2000, the General Assembly took note of the report of the Secretary-General (A/C.5/51/57) and the related report of the Advisory Committee (A/52/7/Add.2), and requested the Secretary-General to keep the Assembly informed of issues pertaining to inflation and currency fluctuation in the context of the budget performance reports.

90. In reporting on the subject to the General Assembly at its fifty-second session, the Advisory Committee noted that a breakdown of the increases and decreases attributable in recent biennia to currency fluctuations, inflation in non-staff costs and statutory increases for staff should be considered important and relevant information. It recommended that that information be included in future reports on the subject. Accordingly, the report of the Secretary-General on additional expenditures deriving from inflation and currency fluctuations (A/57/471) summarized related information in the recommended format, covering the biennia 1996-1997, 1998-1999, 2000-2001 and 2002-2003.

91. The information reconfirmed the outcome of earlier reviews on the experience of previous periods: required adjustments are unpredictable and can be quite significant. Net adjustments for those factors ranged from an adjustment downwards of $261 million in the biennium 1998-1999 to an adjustment upwards of $140 million in the initial budget for the biennium 2002-2003. The information also showed that, apart from highly volatile currency fluctuations, inflation could also be a significant factor in required adjustments. Further, previous studies had shown that apparent trends could be easily reversed from one appropriations stage to the next for a given biennium (i.e., from the proposed budget to the initial budget, the first performance report and the final appropriations).

92. The Advisory Committee also requested (A/52/7/Add.2) that subsequent reports on the subject provide information on the share of the United Nations budget disbursed in the principal currencies. Accordingly, the report of the Secretary-General to the General Assembly at its fifty-seventh session (A/57/471), provided summary information on the share by currency of disbursal as budgeted over the bienniums 2000-2001 and 2002-2003. This information reflected the fact that resources are budgeted for disbursal in two main currencies — the United States dollar and Swiss franc — that together make up about 80 per cent of the regular budget. A number of other currencies make up the remaining 20 per cent. The Advisory Committee reviewed a variety of methods used by the agencies to deal with the effects of fluctuations in the rates of exchange and inflation (see A/43/929). One such method, split assessments, involves the collection of contributions in more than one currency. The Advisory Committee pointed out that requiring part of

assessments to be paid in currencies other than the United States dollar, while mitigating losses in times of a falling United States dollar, would work the other way in times of a strengthening dollar. The Advisory Committee noted that there were many practical difficulties associated with mixed currency or split assessments, including, in the absence of large reserves, problems associated with cash flow (e.g., not receiving currencies in the right mix for current cash needs).

93. It is notable that the information outlined above did not give rise to any new solutions to the problem of additional expenditures deriving from inflation and currency fluctuations. The earlier reviews and analysis that were made available to the General Assembly prior to its most recent decision on the subject — decision 54/481 of 15 June 2000 — remain relevant to this issue today. In reporting to the General Assembly as long ago as at its forty-third session (see A/43/929), the Advisory Committee noted that the operations of the United Nations were global and no way had yet been found to control inflation or currency movements on a global basis or to predict those factors with absolute certainty. In revisiting the issue of a comprehensive solution to these additional expenditures, it must be noted that that observation still holds true.

94. The absorption of such expenditures, as previously concluded by the Secretary-General and concurred with by the Advisory Committee, is not an alternative that can be practically implemented. Any attempt to absorb such expenditures would severely impact programme implementation. Consequently, the use of a reserve fund remains the only practical alternative to the previously recommended methods. While the establishment of a reserve fund would not provide greater predictability, it would allow a mechanism to budget for potential costs of this nature at the outset of a biennium. At the same time, the overall stability gained through the operation of a reserve would still have one main disadvantage: Member States would have to pay in advance for requirements that might or might not materialize. It has been noted that rather than incurring such a cost at the outset of each biennium, consideration could be given to the continuation of the current system, whereby the estimate of requirements is adjusted annually on the basis of the most recent forecast by the Secretary-General of inflation and exchange rates. Inherent to the continuation of the current system would be a commitment on the part of Member States to the implementation of the real level of budgeted activities. While the utilization of the gains received in periods of strengthening of the United States dollar does not normally present a difficulty, there must be a willingness to meet, through additional appropriations, the additional requirements that arise in some periods if damaging programme cuts under the heading of absorption are to be avoided.

95. In its report to the General Assembly at its fifty-seventh session (A/57/7/Add.14), the Advisory Committee noted that no new solutions had been found to the problem of additional expenditures deriving from inflation and currency fluctuations and many of the earlier reviews and analyses on the subject remained relevant to the issue. Pursuant to General Assembly decision 57/576, the Secretary-General submitted a report (A/58/400) providing a comparative analysis of the practice followed by other international organizations. In its related report (A/58/7/Add.5), the Advisory Committee indicated that it found the information provided in the annex to the Secretary-General's report useful and well organized; however, it also pointed out that it had already commented quite extensively on the issue of additional expenditures deriving from inflation and currency fluctuations.

96. Following its consideration of the above-mentioned reports, the General Assembly, in paragraph 11 of its resolution 58/270, requested the Board of Auditors to examine the recosting methodology and to report thereon to the Assembly at its fifty-ninth session, including proposing the most appropriate mechanism for managing the currency aspects of the recosting methodology. The Board of Auditors conducted a review of recosting in 2004 and, in its report on the audited financial statements of the United Nations for the biennium 2002-2003 (A/59/5 (Vol. I), chap. II), recommended in paragraph 175 that the Secretary-General resubmit the proposal for the establishment of a reserve fund to cover additional expenditures related to such factors as exchange rate variations and inflation.

97. In accordance with the recommendation of the Board, the proposal for the establishment of a reserve fund, as had been initially envisaged by the Secretary-General in his report to the Assembly at its forty-fourth session (A/44/665), was resubmitted in part D of the introduction to the proposed programme budget for the biennium 2006-2007 (A/60/6 (Introduction)). Consistent with the arrangements initially proposed, the reserve would be funded from assessed contributions and replenished through savings due to variations in the forecast included in the programme budget in respect of currency fluctuation, inflation in non-staff costs and statutory cost increases for staff, or through further assessed contributions, as necessary. As had been noted in the initial report, the level of the reserve fund would need to be established at an adequate level to meet the additional requirements that such a fund might be required to cover, namely, requirements arising from variations in the forecast included in the programme budget in respect of currency fluctuation, inflation in non-staff costs and statutory cost increases for staff. It was also noted that, by definition, such requirements could only be projected, but not accurately determined; hence, the soundest basis for arriving at an adequate level would be past experience. Taking into account recent experience, the initially proposed level of $150 million (see A/44/665) might be considered as a starting point for the reserve fund. Under the procedures for the reserve fund, in off-budget years the General Assembly would decide on the level of the fund, which would be included in the proposed programme budget for the next biennium. Those procedures as initially envisaged (see A/44/665, annex XI) would still be appropriate for the operation of such a reserve.

98. Accordingly, the General Assembly was requested to approve, in principle, the establishment of a reserve fund for the biennium 2008-2009 subject to the procedures outlined in annex II of document A/60/6 (Introduction). It was indicated that, should the Assembly approve the establishment of such a reserve fund, subsequent proposed programme budget outlines prepared by the Secretary-General would include a provision starting with the biennium 2008-2009. The related comments of the Advisory Committee are reflected in chapter I, paragraphs 100 and 101, of its first report on the proposed programme budget for the biennium 2006-2007 (A/60/7):

> "100. The Advisory Committee points out that in the past, it has commented extensively on the question of additional expenditures deriving from inflation and currency fluctuations. For example, the Committee, having reviewed the practices of specialized agencies, concluded that there was an unavoidable cost associated with mitigating the effects of inflation and currency fluctuation and that the Assembly might accordingly wish to consider the continuation of the current system, whereby the estimate of requirements is adjusted annually on

the basis of the most recent forecast by the Secretary-General of inflation and exchange rates (see A/43/929). Subsequently, the Committee expressed a number of difficulties with the idea of financing the reserve fund from the outset through assessment, pointing out that it would not allow Member States a more precise idea of the final total amount to be paid than was currently the case and, in addition, would result in advance payment for requirements that might or might not materialize (see A/44/729). The Committee has also commented recently on the issue of additional expenditures deriving from inflation and currency fluctuations (see A/57/7/Add.14 and A/58/7 and Add.5).

"101. The Advisory Committee reiterates its past position on the matter and, at this stage, recommends the continuation of the current system, whereby requirements are adjusted annually on the basis of the most recent forecast by the Secretary-General of inflation and exchange rates."

99. No decision was taken on this issue by the General Assembly at the main part of its sixtieth session. Proposal 17 of the report of the Secretary-General entitled "Investing in the United Nations: for a stronger Organization worldwide" (A/60/692 and Corr.1) addresses the need for action on the establishment of the reserve fund. Such a reserve would be consistent with resolution 41/213, in which the General Assembly made it clear that a comprehensive solution to the problem of all additional expenditures was necessary, and that, such a solution should accommodate inflation and currency expenditures within the overall level of the budget, either as a reserve or as a separate part of the contingency fund. The establishment of an outline of the programme budget and a contingency fund under General Assembly resolution 41/213 would partially address the desire of Member States to know at the outset of a biennium the level of resources that would be required during that biennium. In accordance with resolution 41/213 and in order to ensure greater predictability and minimize changes in the level of the programme budget resulting from currency and inflation fluctuations, proposal 17 envisions the establishment of a reserve fund as part of a set of required adjustments to financial practices and procedures.

100. Should the General Assembly decide to approve the establishment of a reserve fund for adjustments resulting from variations in respect of currency fluctuations and inflation, it would be subject to the established reporting requirements for funds in the context of the statement of accounts of the Organization and thus to audit by the Board of Auditors. Any transfers to or from the fund would be reported to the General Assembly through the Advisory Committee in the context of the first and second performance reports on the Programme Budget.

Action to be taken by the General Assembly

101. **The General Assembly may wish to approve the establishment of a reserve fund for adjustments resulting from variations in respect of currency fluctuations, inflation in non-staff costs and statutory cost increases for staff.**

102. **The General Assembly may also wish to consider whether it would finance such a reserve fund from retained surpluses or by new assessments.**

VIII. Charging of interest on arrears in a Member State's assessed contributions

103. In 1993, the Secretary-General transmitted to the General Assembly a report entitled "Financing an Effective United Nations", which was prepared by the Independent Advisory Group on United Nations Financing (see A/48/460). The report set out the reasons for the financial crisis confronting the United Nations at that time and highlighted the contrast between the demands placed on the United Nations and the precariousness of its financial base. The central argument of that report was that the United Nations must be assured of the timely availability of funds to meet the obligations placed on it by Member States (see A/48/460, para. 17). The current financial situation is certainly no better than it was in 1993. Indeed, the $3.2 billion outstanding at the end of 2005 was more than double the $1.5 billion outstanding at the end of 2003.

104. One of the measures proposed in the Advisory Group's report was the imposition of interest on the late payment of assessed contributions, with such interest being used to increase the Organization's reserves. This would compensate the Organization for late payment by some Member States and be fairer to those that paid in full and on time. The experience of the Universal Postal Union (UPU) and the International Telecommunication Union (ITU) in charging interest on arrears suggests that it could well encourage fuller and more timely payment of contributions by Member States. If such interest charges were used to bolster the Organization's meagre reserves it would also help to mitigate the recurrent cash crises that have led to the need to cross-borrow between accounts.

105. The question of indexation of, or interest on, the arrears of Member States of their assessed contributions to the United Nations was subsequently considered by the Committee on Contributions, inter alia, pursuant to a request from the General Assembly in its resolution 55/5 A of 26 October 2000. In its reports on its sixty-first (A/56/11), sixty-second (A/57/11) and sixty-fourth (A/59/11) sessions, the Committee reached a number of conclusions concerning the question in the event that the Assembly decided to impose indexation of, or interest on, the arrears of Member States. The General Assembly has not yet taken action on those conclusions or provided additional guidance to the Committee on Contributions in that regard.

106. As regards the rate of interest to be applied to arrears, UPU and ITU both apply rates of 3 to 6 per cent, depending on when arrears are paid. One option would be to set the rate periodically based on the average rate received by the Organization on its cash balances, which would have the advantage of closely reflecting the opportunity cost to the Organization of some Member States not paying their assessed contributions in full and on time.

Action to be taken by the General Assembly

107. **The General Assembly may wish to revisit the issue and decide in principle that:**

(a) **Interest should be charged on Member States' arrears of assessed contributions;**

(b) Interest should accrue monthly on amounts that are outstanding, due and payable under the regular budget and the budgets of the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda as at 1 January 2007 and thereafter annually as at 1 January each year;

(c) The rate applied from 1 January 2007 would be the 2006 average rate received by the United Nations on its cash balances, with the 2007 average rate being applied from 1 January 2008 and so on.

108. The Assembly may wish to apply the same approach to unpaid assessed contributions for peacekeeping if peacekeeping accounts are consolidated, as proposed by the Secretary-General, or to request the Committee on Contributions to make proposals with regard to the practical application of interest to peacekeeping arrears, given the current different arrangements for the financing of peacekeeping operations — including a different financial period and more frequent assessments. Should the Assembly decide that interest should be applied to Member States' arrears, it should make it clear that the revised amount is the new assessed contribution — which would thus be subject to the relevant provisions of the Charter.

IX. Conclusions and recommendations

109. The proposals for financial management reform set out above respond to the concerns that have been expressed by the General Assembly, the Advisory Committee, the Board of Auditors and the Panel of External Auditors. Some proposals have been made in the past but no decision has been taken on them by the General Assembly (budget surpluses, the Working Capital Fund, charging of interest on arrears of Member States' assessed contributions); they are being resubmitted for the General Assembly's careful reconsideration. Other proposals are new and also require consideration by the General Assembly.

110. A number of the proposals, if approved, would eventually require modification to the Financial Regulations and Rules, namely those related to IPSAS, the consolidation of peacekeeping operations, budget surpluses, interest on arrears, and the establishment of a fund to accommodate unanticipated expenditures arising from the exchange rate fluctuations and inflation.

111. The proposals for management reform contained in the present report aim to improve accountability and transparency, streamline and rationalize procedures and processes, and ensure a sound financial base for implementing the mandated activities of the Organization.

X. Action to be taken by the General Assembly[1]

112. **In the light of the above, the General Assembly may wish to:**

(a) **Approve the adoption by the United Nations of the International Public Sector Accounting Standards by 2010;**

(b) **Consolidate the various peacekeeping accounts retroactively, excluding those of UNEF, ONUC, the Peacekeeping Reserve Fund and the strategic deployment stocks, effective 1 July 2007;**

(c) **Consolidate the individual resolutions on the financing of peacekeeping operations, including the support account for peacekeeping operations and the United Nations Logistics Base at Brindisi, Italy, into a single resolution beginning with the peacekeeping 2007/08 fiscal period for peacekeeping operations;**

(d) **Consolidate the various peacekeeping assessments on Member States into two assessments at the beginning and at the halfway point of the peacekeeping fiscal period, starting with the peacekeeping 2007/08 fiscal period;**

(e) **Approve the delinking of assessments for peacekeeping operations from the duration of the mandates approved by the Security Council and issue assessments in two separate components in accordance with appropriations for the financial period for peacekeeping operations;**

(f) **Apply to the consolidated account the standard practice of utilizing unencumbered balances, interest income and other/miscellaneous income to provide the first element of financing of appropriations for the subsequent fiscal period, thereby reducing the net level of assessments to be charged to Member States;**

(g) **Approve the consolidation of individual performance reports into a single report that would provide the overall peacekeeping budget level as well as performance data identifying the budget provisions and expenditures for each individual mission;**

(h) **Return to Member States credits available in the accounts of closed missions with cash surpluses; such credits would first be applied to settle outstanding assessments, on a mission-by-mission basis, and thereafter be applied at the discretion of the Member State. Should a Member State wish to receive a cash refund, the refund would be effected on the date of the consolidation;**

(i) **Settle outstanding liabilities in the accounts of closed missions with cash deficits, except for ONUC and UNEF, on the date of consolidation;**

[1] The present section consolidates, for convenience, all the subsections entitled "Action to be taken by the General Assembly" in sections II-VIII above.

(j) **Authorize the Secretary-General, with the prior concurrence of the Advisory Committee on Administrative and Budgetary Questions, to enter into commitments not to exceed the current authorized level of the Peacekeeping Reserve Fund of $150 million, regardless of the number of Security Council decisions;**

(k) **Increase the current delegation of commitment authority to the Advisory Committee to the current authorized level of the Peacekeeping Reserve Fund of $150 million;**

(l) **Amend financial regulations 4.6 and 4.8 by replacing in each case the figure of $50 million by $150 million;**

(m) **Authorize an increase in the level of the Working Capital Fund to $250 million;**

(n) **Decide that budgetary surpluses should be retained temporarily through the suspension of the relevant parts of financial regulations 5.3, 5.4 and 5.5;**

(o) **Decide whether the future distribution of surpluses might be applied to:**

(i) **Establishing a fund to accommodate unanticipated expenditures arising from exchange-rate fluctuations and inflation;**

(ii) **Meeting the Organization's unfunded liabilities arising from the after-service health insurance scheme; or**

(iii) **Financing an increase in the Working Capital Fund.**

(p) **Approve the establishment of a reserve fund for adjustments resulting from variations in respect of currency fluctuations, inflation in non-staff costs and statutory cost increases for staff;**

(q) **Consider whether it would finance such a reserve fund from retained surpluses or by new assessments;**

(r) **Decide that interest should be charged on Member States' arrears of assessed contributions;**

(s) **Decide that interest should accrue monthly on amounts that are outstanding, due and payable for the regular budget and the budgets of the International Tribunal for the Former Yugoslavia over the International Criminal Tribunal for Rwanda as at 1 January 2007 and thereafter annually as at 1 January each year; the rate applied from 1 January 2007 would be the 2006 average rate received by the United Nations on its cash balances, with the 2007 average rate being applied from 1 January 2008 and so on;**

(t) **Apply the same approach to unpaid assessed contributions for peacekeeping if peacekeeping accounts are consolidated, as proposed by the Secretary-General, or request the Committee on Contributions to make proposals with regard to the practical application of interest to peacekeeping arrears, given the current different arrangements for the financing of peacekeeping operations — including a different financial period and more frequent assessments. Should the Assembly decide that interest should be applied to Member States' arrears, it should make it clear that the revised**

amount is the new assessed contribution — which would thus be subject to the relevant provisions of the Charter;

(u) Appropriate a total amount of $2,009,700, comprising $1,428,900 under section 28B, Office of Programme Planning, Budget and Accounts, $108,600 under section 28D, Office of Central Support Services, $424,000 under section 30, Jointly financed administrative activities, and $48,200 under section 35, Staff assessment, to be offset by an equal amount under income section 1, Income from staff assessment, under the programme budget for the biennium 2006-2007.

Annex I

International Public Sector Accounting Standards

1. When United Nations system accounting standards were first developed, international accounting standards for not-for-profit organizations did not exist. Because of this gap, the Panel of External Auditors recommended that the United Nations system develop its own accounting standards. Since then, the International Public Sector Accounting Standards (IPSAS) have been developed for not-for-profit public sector organizations. IPSAS are a set of high-quality, independently developed accounting standards that require accounting on a "full accruals" basis, which is considered the best accounting practice by international organizations for the public as well as the private sector. IPSAS include detailed requirements and guidance that provide considerable support for financial statement consistency and comparability. They are the only international accounting standards applicable to public sector and other not-for-profit organizations.

2. The IPSAS standards are produced by the International Public Sector Accounting Standards Board, which is part of the International Federation of Accountants (IFAC), an international organization that represents 163 professional accounting institutions from 120 different countries. The development of new accounting standards requires a significant investment in people and time. The IPSAS Board is a dedicated independent international standard-setting body that uses strong due process, including public consultation and public meetings. It acts for the public interest rather than the interest of organizations preparing financial statements and provides benefits to public sector financial management and good governance, which depend on the existence of high-quality international public sector accounting standards.

3. The IPSAS Board currently includes representatives of Argentina, Australia, Canada, France, India, Israel, Japan, Malaysia, Mexico, the Netherlands, New Zealand, Norway, South Africa, the United Kingdom of Great Britain and Northern Ireland and the United States of America. It considers United Nations system issues when developing accounting standards. The United Nations system secretariats hold two observer places (United Nations and United Nations Development Programme) on the Board. Board observers participate fully in discussions and receive all meeting papers at the same time as other Board members. They have "full rights of the floor".

4. The IPSAS Board applies a policy that IPSAS standards will be the same as the International Financial Reporting Standards (the former International Accounting Standards) (IAS/IFRS) unless there are demonstrable reasons for public sector/not-for-profit differences. This policy is consistent with the principle of accounting standards convergence. The effect of this policy, combined with the generally accepted practice of applying IAS/IFRS where no equivalent IPSAS exists, is that approximately two thirds of the accounting standards under IPSAS adoption are the same as those that would apply under IAS/IFRS adoption. Although the not-for-profit differences in the other third of the applicable standards are important, the majority of the requirements in these standards remain the same as those in the equivalent IAS/IFRS standards. This means that the guidance and software developed for IAS/IFRS accounting is applicable to IPSAS accounting with no or little amendment. It also means that the financial information produced

and standards applied are understandable and largely comparable between public and private sector organizations. This facilitates movement of accounting expertise between the two sectors.

5. More than 30 countries have either already adopted or are in process of adopting IPSAS for financial reporting by all or part of their public sectors. In addition, OECD, EC and NATO organizations have adopted IPSAS for their financial reporting. Where a public sector organization operates as a financial institution, IPSAS requires that the organization apply IAS/IFRS. Consistent with that requirement, development banks, such as the World Bank, the Asian Development Bank and the International Fund for Agricultural Development, apply IAS/IFRS.

Annex II

Provisional implementation time table for United Nations adoption of IPSAS*

2006

Obtain General Assembly approval for IPSAS adoption

Establish steering committee and project team, and develop project plan

Conduct initial analysis of accounting requirements and implications for Financial Regulations and Rules

Complete ERP procurement and initiate installation

2007

Complete initial impact analysis

Review and amend chart of accounts, as necessary

Continue ERP installation

2008

Complete systems, policies and procedures development

Prepare pro forma financial statements

Continue ERP installation

Commence staff training for new procedures etc.

2009

Prepare amendments to Financial Regulations and Rules (to take effect in 2009/10)

Complete development, testing and evaluation of new procedures etc.

Complete ERP installation, ready for preliminary operations by 1 July 2009

Continue staff training for new procedures etc.

Determine opening balances

2010

Commence operation of new system, policies and procedures

Continue training and support, including guidance for end-users

Address any accounting and financial policy issues that arise

Over the period 2006-2010, the total estimated costs for the project to be borne by the United Nations would amount to approximately $23 million

* This provisional timetable is conditional on the availability of necessary funding and approval.

Annex III

Mock-up of financing resolution for peacekeeping operations

Draft resolution submitted by the Chairman following informal consultations

Financing of peacekeeping operations

The General Assembly,

Budget estimates for the period from 1 July 2007 to 30 June 2008

1. *Decides* to appropriate to the Special Account for United Nations Peacekeeping Operations the amount of 5,025,238,400 United States dollars for the period from 1 July 2007 to 30 June 2008, as follows:

(Thousands of United States dollars)

Section		*Appropriation*
I.	United Nations Mission for the Referendum in Western Sahara	48 658.5
II.	United Nations Stabilization Mission in Haiti	516 488.5
III.	United Nations Organization Mission in the Democratic Republic of the Congo	1 136 875.2
IV.	United Nations Operation in Burundi	292 272.4
V.	United Nations Operation in Côte d'Ivoire	418 777.0
VI.	United Nations Mission in Sierra Leone	107 539.3
VII.	United Nations Disengagement Observer Force	41 521.4
VIII.	United Nations Peacekeeping Force in Cyprus	45 615.5
IX.	United Nations Interim Force in Lebanon	94 252.9
X.	United Nations Mission in Ethiopia and Eritrea	176 664.4
XI.	United Nations Interim Administration Mission in Kosovo	239 899.8
XII.	United Nations Mission in Liberia	722 542.1
XIII.	United Nations Mission in the Sudan	969 468.8
XIV.	United Nations Mission of Support in East Timor	1 662.2
XV.	United Nations Observer Mission in Georgia	54 562.1
XVI.	United Nations Logistics Base in Brindisi, Italy	31 513.1
XVII.	Support account for peacekeeping operations	146 935.2
	Total	5 025 238.4

Financing of the appropriation

2. *Also decides* that the requirements of 5,025,238,400 dollars for peacekeeping operations for the period from 1 July 2007 to 30 June 2008 shall be financed as follows:

(a) The unencumbered balance of _____ dollars and other income of _____ dollars in respect of the financial period ended 30 June 2006 will be applied to the resources required for the period from 1 July 2007 to 30 June 2008;

(b) The remaining balance of _____ dollars will be apportioned among Member States for the period from 1 July 2007 to 30 June 2008 in accordance with the levels set out in General Assembly resolution __/__ of [date] taking into account the scale of assessments for 2007 and 2008 as set out in its resolution __/__ of [date];

3. *Further decides* that there shall be set off against the apportionment among Member States, in accordance with the provisions of General Assembly resolution 973 (X) of 15 December 1955, their respective share in the Tax Equalization Fund in the total amount of _____ dollars, consisting of:

(a) _____ dollars, being the estimated staff assessment income for the period ended 30 June 2008;

(b) _____ dollars, being the increase/decrease in the estimated staff assessment income in respect of the financial period ending 30 June 2006.

Annex

Staffing table for United Nations peacekeeping operations for the period from 1 July 2007 to 30 June 2008

Category	*Number*
Professional and higher	
USG/ASG	
D-2/D-1	
Other Professional	
Subtotal	
General Service and related	
Field Service	
Other General Service and related	
Subtotal	
National staff	
Total	

Annex IV

Mock-up of assessment note for peacekeeping operations

REFERENCE: Contributions Ref. No.

The Secretary-General of the United Nations presents his compliments to the Permanent Representative of _____ to the United Nations and has the honour to refer to regulation 3.3 of the Financial Regulations and Rules of the United Nations, which provides that, after the General Assembly has adopted or revised the programme budget, the Secretary-General shall transmit relevant documents to Member States, inform them of their commitments and request them to remit their contributions.

In compliance with that regulation, the Secretary-General has the honour to transmit the document ST/ADM/SER.B/____ and to inform His/Her Excellency that the contribution payable by His/Her Excellency's Government with respect to the peacekeeping budget of the United Nations for the period from 1 July 2007 to 30 June 2008 is $_____.

In this connection, the Secretary-General also wishes to bring to the attention of His/Her Excellency that the United Nations records show that as at 30 June 2007 an amount of $_____ remains payable by His/Her Excellency's Government with respect to the peacekeeping budget for prior periods.

OR

Since United Nations records show an overpayment of $_____, that amount has been applied as partial payment from the Government of _____ to the above assessment, leaving a balance of $_____ payable by His/Her Excellency's Government.

In view of the continuing frailty of the Organization's financial situation, the United Nations continues to require funds on an urgent basis in order to meet its financial commitments in a timely manner. In this connection, attention is drawn to regulation 3.4 of the Financial Regulations of the United Nations, which states that contributions are due and payable in full within 30 days of the receipt of the communication of the Secretary-General. It would be highly appreciated if His/Her Excellency's Government could make a special effort to comply with financial regulation 3.4. The Secretary-General also invites His/Her Excellency to indicate the approximate date at which payment could be expected from his/her Government in order to facilitate the financial planning of the Organization.

Payment in United States dollars may be made by cheque issued to the order of the "United Nations xxx Account" or by deposit to the "United Nations xxx Account" No. 485-00xxxx, J. P. Morgan Chase Bank, New York, New York, United States of America.

Annex V

Outline of proposed consolidated performance report on peacekeeping operations

I. Introduction (focus on resource trends for peacekeeping operations and snapshot of financial performance for the period)

II. Mandate performance

A. Performance summary and highlights of United Nations peacekeeping operations

B. Mandate performance by mission (actual vs. planned results-based frameworks, issued by mission as addenda to the main performance report)

III. Human resources performance

A. Peacekeeping missions

1. Table on planned and actual incumbency for military and civilian personnel (aggregate level)

2. Table on planned and actual vacancy rates for international and national staff and United Nations Volunteers

3. Main factors affecting human resource performance

B. Headquarters backstopping support (support account)

1. Table on planned and actual vacancy rates for international and national staff

2. Main factors affecting human resource performance

IV. Financial resources performance

A. Peacekeeping missions

1. Table on financial resource performance: aggregate level, by mission

2. Table on financial resource performance: aggregate level, by expenditure class

3. Main factors affecting financial resource (analysis of variances, by class groups at aggregate level)

B. Headquarters backstopping support (support account)

1. Table on financial resource performance, by Department

2. Table on financial resource performance: aggregate level, by expenditure class

3. Main factors affecting financial resource performance (analysis of variances, by expenditure class at aggregate level)

V. Reimbursements to troop-contributing and formed police-contributing countries

VI. Actions to be taken by the General Assembly

Annexes

I. Table on breakdown of expenditures by mission

II. Table on expenditure for contingent-owned equipment: major equipment and self-sustainment, by mission

III. Table on non-budgeted contributions, by mission

Annex VI

Mock-up of financial statements for peacekeeping operations

Statement I

United Nations peacekeeping operations

Statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 2004 to 30 June 2005 as at 30 June 2005

(Thousands of United States dollars)

	1 July 2004 to 30 June 2005	*1 July 2003 to 30 June 2004*
Income		
Assessed contributions	4 393 867	2 927 371
Voluntary contributions	31 972	28 365
Funding from reserves and fund balances	11 653	9 235
Funding from Peacekeeping Reserve Fund		33 230
Interest income	27 029	26 639
Other/miscellaneous income	9 929	9 902
Total income	4 471 450	3 034 762
Total expenditure (statement IV)	4 105 941	2 930 912
Excess (shortfall) of income over expenditure	366 409	103 850
Prior-period adjustments	(1 047)	(2 946)
Net excess (shortfall) of income over expenditure	365 362	100 904
Savings on or cancellation of prior-period obligations	167 852	73 195
Credits returned to Member States	(249 597)	(139 535)
Transfers from reserves and fund balances	(11 653)	(9 235)
Reserves and fund balances, beginning of period	1 082 028	1 256 739
Reserves and fund balances, end of period	1 357 952	1 082 028

Statement IV

United Nations peacekeeping operations

Statement of expenditures for peacekeeping operations for the period from 1 July 2004 to 30 June 2005 as at 30 June 2005

(Thousands of United States dollars)

		Expenditure					
	Appropriation	*Military and police personnel*	*Civilian personnel*	*Operational requirements*	*Voluntary contributions in kind*	*Total expenditure*	*Unencumbered balance*
UNFICYP	50 691	21 685	12 163	14 777	1 356	49 981	710
UNDOF	40 902	19 398	7 166	14 256	—	40 820	82
UNIFIL	92 960	40 509	30 442	18 293	—	89 244	3 716
MINURSO	44 005	6 374	16 162	18 862	3 885	45 283	(1 278)
UNOMIG	31 926	3 888	16 653	10 530	—	31 071	855
UNAMSIL	291 604	140 711	44 330	79 484	—	264 525	27 079
UNMIK	294 625	106 253	156 162	32 081	—	294 496	129
MONUC	957 833	379 764	140 862	380 258	3 113	903 997	53 836
UNTAET/UNMISET	85 214	19 500	33 876	28 173	60	81 609	3 605
UNMEE	205 332	85 550	31 113	63 668	—	180 331	25 001
UNMIL	822 106	393 268	98 619	249 078	120	741 085	81 021
UNOCI	378 473	152 773	45 791	138 326	—	336 890	41 583
MINUSTAH	379 047	192 850	56 050	128 335	—	377 235	1 812
ONUB	329 714	129 209	49 129	125 456	—	303 794	25 920
UNMIS	279 501	15 169	17 353	186 344	—	218 866	60 635
UNLB	28 422	—	10 120	17 668	—	27 788	634
Support account	121 611	—	98 263	19 763	—	118 026	3 585
Total	**4 433 966**	**1 706 901**	**864 254**	**1 525 352**	**8 534**	**4 105 041**	**328 925**

Statement V

United Nations Peacekeeping Reserve Fund and strategic deployment stocks

Statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 2004 to 30 June 2005 as at 30 June 2005

(Thousands of United States dollars)

	Peacekeeping Reserve Fund	*Strategic deployment stocks*	*Total 2005*	*Total 2004*
Income				
Interest income	2 016	—	2 016	2 745
Transfer of strategic deployment stocks (SDS)	—	106 657	106 657	80 909
Total income	**2 016**	**106 657**	**108 673**	**83 654**
Total expenditure	**2**	**89 401**	**89 403**	**58 919**
Net excess (shortfall) of income over expenditure	**2 014**	**17 256**	**19 270**	**24 735**
Prior-period adjustments[a]	—	(5 048)	(5 048)	—
Net excess (shortfall) of income over expenditure	**2 014**	**12 208**	**14 222**	**24 735**
Savings on or cancellation of prior-period obligations	—	—	—	—
Transfer to peacekeeping operations	—	—	—	(133 250)
Reserves and fund balances, beginning of period	163 790	24 682	188 472	196 987
Reserves and fund balances, end of period	**165 804**	**36 890**	**202 694**	**188 472**

Statement of assets and reserves and fund balances as at 30 June 2005

(Thousands of United States dollars)

	Peacekeeping Reserve Fund	*Strategic deployment stocks*	*Total 2005*	*Total 2004*
Assets				
Cash and term deposits	51	—	51	51
Cash pool	165 729	—	165 729	127 714
Assessed contributions receivable from Member States[b]	25	—	25	25
Other accounts receivable	—	408	408	—
Due from peacekeeping operations	—	5 021	5 021	60 682
Inter-fund balances receivable	—	51 627	51 627	—
Total assets	**165 805**	**57 056**	**220 861**	**188 472**

	Peacekeeping Reserve Fund	Strategic deployment stocks	Total 2005	Total 2004
Liabilities				
Unliquidated obligations		18 166	18 166	
Inter-fund balances payable	1		1	
Total liabilities	**1**	**18 166**	**18 167**	
Reserves and fund balances				
Working capital funds	150 000		150 000	150 000
Cumulative surplus[c]	15 804	36 890	52 694	38 472
Total reserves and fund balances	**165 804**	**36 890**	**202 694**	**188 472**
Total liabilities and reserves and fund balances	**165 805**	**55 056**	**220 861**	**188 472**

[a] Represents adjustments as the underlying transactions did not pertain to SDS shipments.

[b] Contributions assessed on Member States that joined the United Nations subsequent to the adoption of General Assembly resolution 47/217 of 23 December 1992 establishing the Peacekeeping Reserve Fund.

[c] Under the terms of General Assembly resolution 59/297 of 22 June 2005, the excess balance of $13,790,000 in the account of Peacekeeping Reserve Fund for the period ending 30 June 2004 shall be applied to meet the requirements of the support account for peacekeeping operations for the period from 1 July 2005 to 30 June 2006.

Statement VI

Special Account for the United Nations Emergency Force (UNEF) 1956

Statement of income and expenditure and changes in reserves and fund balances for the period from 5 November 1956 to 30 June 1967 as at 30 June 2005

(Thousands of United States dollars)

	Period		
	5 November 1956 to 30 June 2004	*1 July 2004 to 30 June 2005*	*1 July 2003 to 30 June 2004*
Income			
Assessed contributions	166 375	—	—
Voluntary contributions	28 086	—	—
Proceeds from the sale of United Nations bonds	19 207	—	—
appropriated from United Nations Special Account	3 911	—	—
Miscellaneous, and savings in liquidating obligations and adjustments[a]	5 089	(406)	(909)
Total income	**222 668**	**(406)**	**(909)**
Total expenditure	**215 540**	—	—
Net excess (shortfall) of income over expenditure	7 128	(406)	(909)
Reserves and fund balances, beginning of period	—	7 128	8 037
Reserves and fund balances, end of period	7 128	6 722	7 128

Statement of assets, liabilities and reserves and fund balances as at 30 June 2005

(Thousands of United States dollars)

	2005	*2004*
Assets		
Unpaid assessed contributions	42 627	42 627
Special account for unpaid assessed contributions pursuant to General Assembly resolution 3049 C (XXVII)	5 275	5 275
Excess of authorized expenditures over assessments and applied contributions	876	876
Inter-fund balances receivable	81	81
Total assets	**48 859**	**48 859**

	2005	2004
Liabilities		
Accounts payable to Member States	29 594	29 588
Member States' credits for staff assessment income not required to meet the cost of income tax refunds (non-United States share)	465	465
Special account for voluntary contributions to finance unassessed appropriations — to the credit of contributing Member States	644	644
Assessed on economically developed countries to meet reserve requirements[a]	10 415	10 415
Due to United Nations Special Account	1 932	1 932
Due to United Nations bond account	8 117	8 117
Total liabilities	**42 137**	**41 731**
Reserves and fund balances		
Cumulative surplus	6 722	7 128
Total reserves and fund balances	**6 722**	**7 128**
Total liabilities and reserves and fund balances	**48 859**	**48 859**

[a] Represents loss on exchange from the revaluation of accounts payable expressed in local currency.

[b] For 1965, $3,550,000 pursuant to section II of General Assembly resolution 2115 (XX) of 21 December 1965; for 1966, $3,550,000 pursuant to section III of the same resolution; for 1967, $3,315,000 pursuant to resolution 2194 B (XXI) of 16 December 1966.

Statement VII

Ad hoc Account for the United Nations Operation in the Congo (ONUC)

Statement of income and expenditure and changes in reserves and fund balances for the period from 14 July 1960 to 30 June 1964 as at 30 June 2005

(Thousands of United States dollars)

	Period		
	14 July 1960 to 30 June 2004	*1 July 2004 to 30 June 2005*	*1 July 2003 to 30 June 2004*
Income			
Assessed contributions	241 549	—	—
Voluntary contributions	36 193	—	—
Proceeds from the sale of United Nations bonds	110 726	—	—
Investment income	89	—	—
Miscellaneous, and savings in liquidating obligations and adjustments[a]	45 489	103	(219)
Total income	**434 046**	**103**	**(219)**
Total expenditure	**397 437**	—	—
Net excess (shortfall) of income over expenditure	**36 609**	**103**	**(219)**
Reserves and fund balances, beginning of period	—	36 609	36 828
Reserves and fund balances, end of period	**36 609**	**36 712**	**36 609**

Statement of assets, liabilities and reserves and fund balances as at 30 June 2005

(Thousands of United States dollars)

	2005	*2004*
Assets		
Unpaid assessed contributions	73 892	73 892
Special account for unpaid assessed contributions pursuant to General Assembly resolution 3049 C (XXVII)	6 687	6 687
Excess of authorized expenditures over assessments and applied contributions[b]	1 973	1 973
Inter-fund balances receivable	914	909
Total assets	**83 466**	**83 461**

	2005	2004
Liabilities		
Accounts payable to Member States	7 011	7 109
Member States' credits for staff assessment income not required to meet the cost of income tax refunds (non-United States share)	855	855
Special account for voluntary contributions to finance unassessed appropriations — to the credit of contributing Member States	1 560	1 566
Due to United Nations Special Account	1 397	1 397
Due to United Nations bond account	35 931	35 931
Total liabilities	**46 754**	**46 852**
Reserves and fund balances		
Cumulative surplus	36 712	36 609
Total reserves and fund balances	**36 712**	**36 609**
Total liabilities and reserves and fund balances	**83 466**	**83 461**

[a] Represents gain on exchange from the revaluation of accounts payable expressed in local currency.

[b] For 1961, $268,455; for the second half of 1963, $1,118,712; for the first half of 1964, $585,899.

Annex VII

Summary of changes proposed to the current practice for financing peacekeeping operations

Current practice (based on individual accounts for each peacekeeping operation)	*Proposed practice (based on a single account for peacekeeping operations)*
Separate resolution is adopted approving the budget and the method of financing of each individual peacekeeping operation.	Single resolution would be adopted covering total peacekeeping budget level. Individual missions would be treated as sections of the total budget, as is the case with the regular budget.
For Member States that have fulfilled their financial obligations to a peacekeeping mission, their share in the mission's unencumbered balance, interest and other miscellaneous income is utilized to offset their financial obligations for the next financial period for that mission; for Member States that have not fulfilled their financial obligations to a peacekeeping mission, their share in the mission's unencumbered balance, interest and other miscellaneous income is utilized to meet their outstanding obligations for that mission.	Unencumbered balances, interest and other miscellaneous income would be utilized to offset appropriations for the next financial period, as is the case for the regular budget.
Separate and financial performance reports are presented for each individual peacekeeping mission.	A single consolidated financial performance would be presented at the overall total peacekeeping budget level and would report on consolidated expenditures compared to the overall total appropriation, as well as by mission. Results-based budgeting frameworks would, however, continue to be issued individually for each mission as addenda to the main financial performance report.
Separate financial statements are produced for every peacekeeping mission active or closed.	A simplified set of financial statements. The balance sheets of individual missions would be replaced by a single consolidated balance sheet for all peacekeeping operations. However, expenditure breakdowns by mission would continue to be shown, together with comparisons to appropriations.
Financial performance reports are prepared for each individual mission and annual updates are prepared for closed missions.	Reporting on final performance reports and annual updates for closed missions would no longer be required because the peacekeeping account would be open-ended.

Annex VIII

Table illustrating the effect of consolidation on reimbursement to troop- and formed police-contributing countries for 2004 and 2005

I. Actual payments made during 2004 and 2005

	2004			2005		
	Payments	Period covered		Payments	Period covered	
	(Thousands of US$)	Troop costs	COE*	(Thousands of US$)	Troop costs	COE*
MINUSTAH	10 330	Sep-04	Sep-04	146 968	Oct-05	Sep-05
MONUA	295	NA	NA		NA	NA
MONUC	118 373	Jun-04	Dec-03	235 317	May-05	Mar-05
ONUB	13 132	Sep-04	NA	117 334	Oct-05	Sep-05
UNAMSIL	280 491	Oct-04	Sep-04	76 942	Oct-05	Sep-05
UNDOF	14 693	Oct-04	Aug-04	14 247	Oct-05	Sep-05
UNFICYP	30 417	Sep-04	Jun-04	16 352	Oct-05	Sep-05
UNIFIL	31 468	Oct-04	Sep-04	30 093	Oct-05	Sep-05
UNIKOM	5 122	NA	Oct-03		NA	NA
UNMEE	100 428	Oct-04	Jun-04	69 280	Oct-05	Sep-05
UNMIK	19 894	Dec-03	Dec-03		NA	NA
UNMIL	215 817	Oct-04	Jun-04	348 318	Oct-05	Sep-05
UNMISET	63 252	Oct-04	Jun-04	15 579	Jun-05	Jun-05
UNOCI	25 331	Sep-04	NA	136 947	Sep-05	Sep-05
UNOMIG	321	NA	Jun-04	20	NA	Sep-05
Total	**927 364**			**1 207 397**		

II. Additional payments in respect of active missions enabled by the consolidation

	2004			2005		
	Payments	Period covered		Payments	Period covered	
	(Thousands of US$)	Troop costs	COE*	(Thousands of US$)	Troop costs	COE*
MINURSO	748	Oct-04	Sep-04	1 030	Oct-05	Sep-05
MINUSTAH	3 903	Oct-04	NA		NA	NA
MONUC	76 417	Oct-04	Sep-04	86 972	Oct-05	Sep-05
ONUB	5 899	Oct-04	NA		NA	NA
UNFICYP	1 413	Oct-04	NA		NA	NA
UNMEE	7 013	NA	Sep-04		NA	NA
UNMIK	18 867	Oct-04	Sep-04	33 297	Oct-05	Sep-05
UNMIS				6 708	Oct-05	Sep-05

	2004			2003		
	Payments	Period covered		Payments	Period covered	
	(Thousands of US$)	Troop costs	COE*	(Thousands of US$)	Troop costs	COE*
UNOCI	6 654	Oct-04	NA	7 970	Oct-05	Sep-05
Total	**120 914**			**135 977**		
II over I (percentage)	13			11		

* Represents the latest month for which claims have been certified.

III. Additional payments in respect of closed missions enabled by the consolidation

(Thousands of United States dollars)

	Troop costs, COE, LOA
MINURCA	7 482
ONUMOZ	1 200
UNOSOM	19 741
UNSMIH/UNTMIH/MIPONUH	114
UNTAC	40 866
Total	**69 403**

Annex IX

Strategic deployment stock modules concept of deployment

1. *Mission elements and strategic deployment stock (SDS) modules*: The composition of each SDS module is based on the support requirements of each element defined by standard ratios, where applicable. All modules are equipped with various field defence supply requirements, as well as information technology and communication equipment.

Mission headquarters module: fly-away kit

Staff	*Strength*	*Description*
Civilian international	64	Mission HQ staff, substantive and support
Civilian local	20	Mission HQ support staff
Staff officers	7	Military observers and United Nations police and military staff officers

2. One fly-away kit, which will be airlifted, will sustain the advance party and the Director of Administration/Chief Administrative Officer office staff with equipment and consumables until the main headquarters sea shipment arrives. The fly-away kit will include medical emergency bags. The module will support establishment of unit in a greenfield site.

3. The main composition for the fly-away kit is described below.

Main items of SDS fly-away kit as per SDS composition approved in November 2005

Item description	*Quantity*
4x4 general purpose	27
4x4 VIP armoured	1
4x4 armoured mine-hardened	1
4T 4x4 trucks various	3
Flat racks fuel/water	4
Material handling equipment	3
Light buses	2
Generators	8
Semi-rigid soft wall (5x10)	20
Air transportable containers	25
Refrigerated container	1
X-ray/walk-through metal detector	1
ID card system	1
MDTS	1
Communications survey vehicle (CITSV)	1

Item description	*Quantity*
VSAT trailer	1
Videoconference sets	2
TV/video multimedia system	1
Satellite phones	4
Desktop computers	76
Portable computers	15
INMARSAT terminals	5

4. The following table contains the main items in the fly-away kit that will be transported at D-50, using an estimated four cargo flights. An additional flight containing accommodation equipment can be dispatched as part of a fly-away kit if the start-up mission deploys in a greenfield site.

5. DPKO currently stores two fly-away kits as part of SDS inventory in Brindisi, Italy.

Mission headquarters main module: main shipment

Main equipment (sealift)

Staff	*Strength*	*Description*
Civilian international	86	Mission headquarters staff: substantive and support
Civilian local	260	Mission headquarters staff: mainly support
Staff officers	93	Military observers and United Nations police and military staff officers

6. Mission headquarters can command a start-up mission up to 5,000 troops in one sector (including up to 3,000 re-hatted troops). The mission headquarters module will contain a medical level-1 capability, equipment for minimum operational security standards compliance and, in anticipation of the deployment of mission executives, equipment for three close protection units of 15 armed civilian staff each. This module can be deployed alone, without the mission headquarters complex complementary module (described further below) to support the deployment of a "traditional" peacekeeping mission. The module will also contain the capacity to support a mission-level fuel depot capable of serving an adequate number of distribution points in headquarters sector and supporting three sector fuel depots.

Airport of debarkation module

Staff	*Strength*	*Description*
Civilian international	10	Mission HQ staff: support
Civilian local	10	Mission HQ staff: support
Staff officers	10	Military staff officers

7. The airport of debarkation module supports all strategic airlift to missions as well as intraregional and regional inter-mission airlift of cargo and personnel on fixed and rotary wing aircraft; airfield and air traffic control operations, fuelling, medical evacuation, and liaison with the mission's tactical and support aviation units and local aviation authorities. The module contains office furniture, office equipment, accommodation equipment, firefighting equipment, prefabricated facilities, spare parts and supplies.

Seaport of debarkation module

Staff	*Strength*	*Description*
Civilian international	5	Mission HQ staff: support
Civilian local	10	Mission HQ staff: support
Staff officers	10	Military staff officers

8. The seaport of debarkation module supports all strategic sealift to missions and intra-mission sealift with coastal vessels; cargo handling, receipt and inspection operations; trans-shipment and rail-terminal operations; and liaison with local transport authorities. The module contains office furniture, office equipment, accommodation equipment, firefighting equipment, prefabricated facilities, spare parts and supplies.

Transit camp module

Staff	*Strength*	*Description*
Civilian international	5	Mission HQ staff: support
Civilian local	10	Mission HQ staff: support

9. The transit camp module provides in-processing and consolidation of troops and contingent-owned equipment (COE) for arriving military and United Nations police units. It can sustain units of up to 1,000 troops in temporary accommodations, with food, water security and other facilities for 72 hours, and smaller units for extended periods. The module contains office furniture, office equipment, accommodation equipment, firefighting equipment, prefabricated facilities, spare parts and supplies.

Military police unit module

Staff	*Strength*	*Description*
Formed military unit	50	Military police company

10. The military police unit module is expected to be self-sustained and will receive office furniture, office and accommodation equipment and a few generators, among others, from this module. This module provides police services to the mission headquarters, airport of debarkation, seaport of debarkation, transit camp and the units in the mission headquarters vicinity.

Military observer module: two modules each

Staff	*Strength*	*Description*
Military observers	100	10 military observers team sites of 10 individual military observers each

11. A military observer unit operates in teams in a designated sector, with a base in the vicinity of mission or sector headquarters or similar location. Military observers are self-sustaining for accommodation and catering, and rely on formed military units for security, medical, engineering and logistics support. Military observers operations are supported by an estimated 10 military observers staff in mission headquarters and are included in the military headquarters staff strength. This module is equipped with the requirements for transportation and generators, among others.

United Nations police module: one module each, a total of two modules

Staff	*Strength*	*Description*
United Nations Police Unit	100	10 United Nations police team sites, 10 individual chief police officers each

Staff	*Strength*	*Description*
Formed police unit	125	Formed police unit staff

12. United Nations police teams operate from team sites and are fully supported by the United Nations. A formed police unit operates from one location and can provide United Nations police functions in the extended vicinity of a mission headquarters or sector headquarters area or a designated location. United Nations police operations are supported by a staff of an estimated 20 chief police officers in mission headquarters; they are included in the military headquarters staff strength. This module is equipped with the requirements for transportation and generators, among others.

Infantry battalion module: three modules each

Staff	*Strength*	*Description*
Formed military unit	900	Infantry battalion formed unit

13. The infantry battalion effectively controls an area of operation approximately one third of a sector (brigade). Each module will be equipped with a level-1 medical capability. This module is equipped with the requirements for office furniture, office and accommodation equipment, among others.

Engineering company module

Staff	*Strength*	*Description*
Formed military unit	150	Engineering company

14. The engineering company is a force asset that can provide both vertical and horizontal engineering services in the mission area of operations. The engineering company can sustain and protect itself and operate simultaneously in two locations. This module is equipped with the requirements for office furniture, generators, spare parts and supplies, office and accommodation equipment, among others.

Medical level-2 hospital module: two modules each

Staff	*Strength*	*Description*
Formed military unit	60	Hospital unit

15. The medical level-2 hospital is consistent with a basic field hospital, with limited specialist expertise and basic surgical, intensive care, dental, laboratory, X-ray and ward capabilities. It can serve up to 5,000 military, police and civilian staff in one sector area as well as the evacuation needs from level-1 to level-3 hospitals. The hospital is normally collocated with sector headquarters and it should be able to self-sustain and protect itself and dispatch medical teams simultaneously to two locations.

Logistics unit module: three modules each

Staff	*Strength*	*Description*
Formed military unit	150	Logistics company

16. The logistics unit is a force asset that provides both transportation and material handling services in the mission area of operations. A logistics unit has handling and transportation capacity for 20-foot sea-containers as well as refrigerated goods. The logistic unit can sustain and protect itself and operate simultaneously in two locations. One module is planned to be supported by a level-1 medical capability.

Mission headquarters complex headquarters complementary module

Staff	*Strength*	*Description*
Civilian international	130	Mission headquarters staff: substantive and support
Civilian local	190	Mission headquarters staff: mainly support
Staff officers	80	Military observers and United Nations police and military staff officers

17. Mission headquarters can command up to four sector headquarters. The module contains equipment for minimum operational security standards compliance and for a disarmament, demobilization and reintegration unit. This module complements the mission headquarters main module by increasing its overall capacity and providing it with the specific capacity to support sector headquarters. Two additional close protection units of 15 armed civilian staff each will be also supported by this module.

Sector headquarters module: three modules each

Staff	*Strength*	*Description*
Civilian international	25	Mission HQ staff, substantive and support
Civilian local	25	Mission HQ staff, mainly support
Staff officers	50	Military observers and military staff officers

18. Sector headquarters can command one brigade (three battalions, level-2 hospital, logistics and engineering units, military observers and substantive civilian activities). Each module contains a medical level-1 capability, equipment for minimum operational security standards compliance and for security and close protection units. Each module will also contain the capacity to operate a sector airfield capable of handling and fuelling helicopters and medium-sized aircraft, as well as a sector-level fuel depot capable of serving an adequate number of distribution points.

Headquarters support unit module

Staff	*Strength*	*Description*
Formed military unit	150	Guard and administrative unit

19. The headquarters support unit company is a light guard, signals and administrative unit attached to mission headquarters. This module is equipped with the requirements for office furniture, a few generators, spare parts and supplies, office and accommodation equipment, among others.

Aviation unit module

Staff	*Strength*	*Description*
Formed military unit	75	Aviation unit

20. The aviation unit is a force asset that provides intra-mission and inter-mission fixed and rotary wing operations from the mission airport of debarkation module. This module is equipped with the requirements for office furniture, a few generators, spare parts and supplies, office and accommodation equipment, among others.

Demining unit module

Staff	*Strength*	*Description*
Formed military unit	150	Combat engineers company

21. The demining company is a force asset that provides mine clearance for force protection purposes in the mission area of operations. The demining company can sustain and protect itself and operate simultaneously in four locations. The module will be supported by a level-1 medical capability. This module is equipped with the requirements for office furniture, a few generators, spare parts and supplies, office and accommodation equipment among others.

Reserve company module

Staff	*Strength*	*Description*
Formed military unit	150	Force reserve company

22. The reserve company is a highly mobile force asset which can be projected to the area of operation by air or by land. The reserve company is based in the mission headquarters vicinity. This module is equipped with the requirements for office furniture, a few generators, spare parts and supplies, office and accommodation equipment, among others.

Annex X

Composition of an integrated planning team

1. The integrated planning team would be based at United Nations Headquarters, New York, with the specific task of planning for a new United Nations start-up mission. The team would travel at various stages of the planning phase to the mission area to conduct assessment surveys, prepare the mission framework plan, including operational requirements, and draft the report of the Secretary-General and financial implications for the Security Council.

2. The proposed staffing for a complex start-up mission could comprise the following posts (requirements could be lower for less complex or smaller start-up missions):

(a) A total of 43 temporary posts, consisting of 34 Professional and 7 General Service-level posts for the Department of Peacekeeping Operations and 2 Professional posts for the Department of Management, in the following functional areas:

(i) 1 Head of the integrated planning team, at the ASG level, who could become the principal deputy Special Representative of the Secretary-General once the mission is established;

(ii) 3 Professional and 2 General Service posts for political planning, liaising with the parties and, preparation of reports of the Secretary-General;

(iii) 3 Professional posts for military planning, generation of troop-contributing units, predeployment visits to troop contributors and negotiation of memoranda of understanding;

(iv) 3 Professional posts for planning of the police requirements, selection of police personnel etc.;

(v) 1 D-1 post responsible for coordination of operational support requirements, including logistics, personnel and finance;

(vi) 15 posts for planning of logistics support, consisting of 13 Professional and 2 General Service posts, to conduct logistics planning on supply (rations and fuel), contracts, engineering, medical, surface and air transport, movement control, communications and information technology service, and contingent-owned equipment;

(vii) 2 Professional posts for planning of procurement of logistics contracts;

(viii) 2 Professional and 2 General Service posts for personnel planning, including development of staffing requirements, recruitment and travel of civilian personnel;

(ix) 3 Professional and 1 General Service posts for financial support, including preparation of financial implications, pre-mandate commitment authority and budget estimates, as well as preparation of memoranda of understanding with troop contributors;

(x) 3 Professional posts, one each for planning and coordination of issues related to mine action, geographic information systems (GIS) and humanitarian affairs.

(xi) 2 Professional posts for the Department of Management, one each for the Procurement Division and the Medical Services Division.

(b) The requirements include salary costs ($1,153,800), staff assessment ($432,600), common staff costs ($963,000), and appointment travel costs ($180,000) since some staff may be drawn from existing peacekeeping operations or United Nations agencies, funds and programmes. Provisions also include DSA costs ($1,340,300) since these personnel would be on temporary assignment and would therefore be entitled to DSA.

Travel requirements to the mission area

3. Provisions are also made for up to four trips for 25 persons each ($510,000), for a duration of 15 days each, to the mission area to conduct mission planning and assessment.

Rental of facilities

4. Provision is made for rental of office facilities for the planning team ($2,607,600) in case existing United Nations Headquarters facilities cannot provide for sufficient office space.

Annex XI

Guidelines for the operation of a reserve fund for adjustments resulting from variations in respect of currency fluctuation, inflation in non-staff costs and statutory cost increases for staff[1]

1. The programme budget shall contain a section that will include provisions for adjustments that may be required as a result of variations in the forecast included in the programme budget in respect of currency fluctuation, inflation in non-staff costs and statutory cost increases for staff. That section shall be entitled "reserve fund".

2. In off-budget years, the General Assembly shall decide on the level of the reserve fund, which will be included in the proposed programme budget for the next biennium.

3. The Secretary-General shall, prior to each appropriation stage, submit to the General Assembly for its approval the adjustments required as a result of variations in the forecast included in the programme budget in respect of currency fluctuation, inflation in non-staff costs and statutory cost increases for staff.

4. The adjustments approved by the General Assembly will be reflected in the appropriations. When such adjustments result in additional requirements, they will be reflected under the relevant sections of the programme budget and will be accompanied by a commensurate reduction in the reserve fund section of the programme budget. When such adjustments result in reductions, they will be reflected under the relevant sections and will be accompanied by a commensurate increase in the reserve fund section up to the level initially approved for the section. Any surplus would be classified as miscellaneous income.

5. If the amount of funds in the reserve fund section of the programme budget is insufficient to provide for the additional requirements resulting from variations in the forecast included in the programme budget in respect of currency fluctuation, inflation in non-staff costs and statutory increases for staff, the Secretary-General, in submitting the proposed adjustments to the General Assembly, shall make proposals regarding the manner in which the shortfall should be covered.

6. At the end of the biennium, any residual amount in the reserve fund section shall be surrendered in the context of the final appropriations for the biennium.

[1] As proposed in the report of the Secretary-General to the General Assembly at its forty-fourth session (A/44/665, para. 19) and at its fifty-seventh session (A/57/471, para. 22).

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Integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic, social and related fields

United Nations reform: measures and proposals

Follow-up to the outcome of the Millennium Summit

Review of the efficiency of the administrative and financial functioning of the United Nations

Programme budget for the biennium 2006-2007

Scale of assessments for the apportionment of the expenses of the United Nations

Human resources management

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Investing in the United Nations: for a stronger Organization worldwide: detailed report

Report of the Secretary-General

Addendum

Improving reporting mechanisms including public access to United Nations documentation

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I. Introduction

1. In proposal 19 and part of proposal 18 of his report on investing in the United Nations: for a stronger Organization worldwide (A/60/692), the Secretary-General proposed, inter alia, to improve reporting mechanisms by developing a single, comprehensive annual report, containing both financial and programme information, identifying opportunities to streamline Secretariat reports and improving public access to United Nations documentation.

2. In section VII of its resolution 60/260, the General Assembly emphasized, inter alia, the importance of providing the information necessary to enable Member States to make well-informed decisions; recalled paragraph 20 of its resolution 57/300, paragraph 6 of the annex to resolution 58/316 and paragraph 16 of its resolution 59/313 and requested the Secretary-General to implement measures in accordance with those paragraphs with a view to consolidating reports on related subjects; and reaffirmed the role of the Fifth Committee as the appropriate Main Committee of the Assembly entrusted with responsibilities for consideration of reports on administrative and budgetary matters.

3. In preparing the present report due consideration has been given to the provisions of resolution 60/260 and the guidance of the Advisory Committee on Administrative and Budgetary Questions as contained in its report (A/60/735), bearing in mind that the General Assembly took note of that report. As regards follow-up to the requests contained in Assembly resolution 57/300 and subsequent resolutions, the President of the Assembly initiated the process, but the attempt at consultation with the Chairmen of the Main Committees is yet to yield results. Nevertheless, given the clear thrust of the three resolutions for consolidating, the Secretary-General has continued his own efforts in this regard.

4. As to a single annual report containing both financial and programme information, the Advisory Committee on Administrative and Budgetary Questions made reference to its statement, reflected in paragraph 18 of its report on the programme budget for the biennium 2004-2005 (A/58/7), that:

> "the current practice of reporting on programme and financial performance separately and on separate cycles needs to be reformed to make it consistent with and supportive of results-based budgeting. The Committee therefore recommends that a single report be issued that would cover both programme and financial performance for the same period. Such reports should be available for use during the formulation and consideration of the proposed programme budget."

5. Regarding the second item of proposal 19, detailed information is provided under section III below concerning the existing reports on management and finance issues proposed for consolidation. In evaluating possible opportunities for streamlining management and finance-related reports, the provisions contained under the relevant General Assembly resolutions have been taken into consideration. In particular, due consideration has been given to the provision contained under (a) paragraph 20 of resolution 57/300, (b) paragraph 7 of annex B to resolution 58/126, (c) paragraph 6 (c) of the annex to resolution 58/316, (d) paragraph 16 of resolution 59/313 and (e) section VII of resolution 60/260.

6. In section IV of the present report, in line with the fourth item under proposal 19 contained in the report of the Secretary-General (A/60/692), a detailed proposal is submitted that contains new and clear rules on public access to United Nations documentation. This is an effort to operationalize the vision for transparency expressed by the Secretary-General in paragraph 85 (d) of his report, where the public would be told clearly that it could request United Nations Secretariat documents, how to make such requests and on what principles they would be granted or denied access.

II. Annual report of the Secretary-General to the General Assembly on the performance of the Organization

7. The reporting mechanisms would be improved by a number of measures, including the development of a single, comprehensive annual report that would contain both financial and programme information.

8. The first annual report to be provided would cover the year 2005. This initial effort should be regarded as a first step towards the realization of a well-focused reporting instrument, aimed at assessing performance and reinforcing accountability. While the report is designed to provide key information and would not require action by Member States, feedback from Member States will be critical in validating and refining the concept as embodied in the initial product. At the same time, mandated reports, such as the United Nations financial statements and reports of the Office of Internal Oversight Services (OIOS) and the United Nations Board of External Auditors, will continue to be provided directly to the Fifth Committee, as is the current practice.

9. The report, given its blending of strategic perspective and performance analysis of the key programmes, is intended to be a tool to enhance accountability of the Secretariat to Member States and to the public at large. Currently, there is no single document that provides a full and well-balanced picture of the Secretariat's activities, resources and accomplishments in a given calendar year. In addition, there is currently no report that addresses challenges to management and performance, and actions planned or taken to address such challenges. Should the report prove to be useful in enhancing transparency and accountability, further efforts will be devoted to exploring, with intergovernmental bodies, additional opportunities for the integration of performance reporting on related subjects.

10. Performance and financial information is currently provided to the General Assembly in separate reports, by a variety of offices and on different schedules. An annual report that links policy priorities, programme activities and resources and discusses management challenges and corrective actions would provide the information necessary for the Assembly and the global public to assess the Organization's performance and management of resources.

11. The report aims to be contemporary in style and format, substantive in level and type of content (goals, outcomes and metrics) and balanced, transparent and frank in fact and tone. It will feature a mix of exposition, graphic depiction of performance data, photographs and illustrative vignettes. It will juxtapose the Secretariat's own self-assessment with the intact and independent reports of OIOS and the Board of Auditors.

A. Structure

12. While the annual report on 2005 is expected to be issued in the second half of 2006, detailed information on the proposed format and contents of the report is set out below.

(a) *Overview section*. This section will comprise the introduction by the Secretary-General and will set the overall context for the year and describe the most important programmatic and Secretariat-wide priorities of the Organization, as referenced to the revised medium-term plan for the period 2002-2005 (A/57/6/Rev.1). Key issues addressed will be highlighted, as well as milestones achieved and challenges faced in 2005. Examples of the types of progress to be highlighted in this section could range from successful elections in post-conflict situations, such as in Haiti, to the new whistle-blower protection and financial disclosure policies, as would be reflective for the year in question. Issues worthy of coverage in this section might include managing consequences of major investigations.

(b) *Management's discussion and analysis section*. This section will highlight major findings from different parts of the report and will be supported and supplemented by detailed information contained in the performance section and the financial section (see below). It will include an organizational overview, a summary of the most important performance results and challenges for 2005, a brief analysis of financial performance and a brief description of systems, controls and compliance, including an analysis of the modalities for quality assurance through independent audit and oversight regimes. The section will also address the management challenges identified by the oversight bodies and any corrective actions taken or planned.

(c) *OIOS discussion and analysis section*. This section will contain an independent summary of the most serious management and performance challenges facing the Secretariat and a brief assessment of the Secretariat's progress in addressing those challenges. It will include comments of the Under-Secretary-General for Internal Oversight Services, a summary of the 2005 performance of the United Nations Secretariat, risk analysis and management and performance challenges.

(d) *Performance section*. This section will capture, in a results-oriented manner, the Secretariat's engagement in 2005 with the strategic priorities included in the revised medium-term plan for the period 2002-2005 (A/57/6/Rev.1). Progress will be demonstrated by analysing, chapter by chapter, the results of performance in the programme objectives, including key underlying subprogramme objectives, as they link to each strategic priority. For each subprogramme objective, the report will show baseline data, the target result for 2005 and the actual outcome for 2005. Both regular and extrabudgetary resources will be provided for each subprogramme objective and strategic priority. On the basis of review and decision by the General Assembly, the performance section of the report could in future be considered to replace the present biennial programme performance report by OIOS, which focuses mainly on inputs and outputs rather than outcomes and results. Reporting on genuine outcomes will be an evolutionary process as the Secretariat strengthens and refines its strategic planning and develops outcome-oriented performance goals, measures, baseline data and timelines.

(e) *Financial section*. In addition to an overarching financial analysis by the Secretariat, this section will contain the following for each Secretariat organization/programme: an independent summary by the Board of Auditors of the Board's principle findings and recommendations; the Board's audit opinion; the Controller's certification; and extracts of the financial statements.

(f) *Appendices*

- Directory of key Secretariat officials and senior management
- United Nations locations (contact information for the four headquarters locations and regional commissions)
- Major United Nations publications (titles, Web links)
- Directory of funds and programmes (leadership, websites, major publications)
- Glossary of acronyms
- Directory of permanent representatives to the United Nations

B. Methodological challenges

13. There are a number of challenges and considerations in selecting the most useful content for the proposed report. The roles and functions entrusted to the Secretariat range widely from setting global standards and norms to advocacy and operations. The strategic priority areas are similarly diverse and complex, from peacekeeping to international law and African development. Accordingly, it is difficult to achieve a cohesive or singular way of defining and assessing results. At a minimum, a mixture of qualitative and quantitative analysis must be applied.

14. In designing the proposed report, a number of technical questions are being addressed. The following indicate the range of such methodological issues that call for creative solutions:

(a) Determining how to segment out that portion of Secretariat plans, budgets and performance that refers to 2005 only, but has a biennial or multi-year dimension;

(b) Attributing accomplishment where multiple players are involved, while ensuring that partners are neither over nor under-credited;

(c) Ensuring plausible claims of outcomes — using good judgement in claiming the effects of programme activity, setting the boundaries of claims and acknowledging multiple factors;

(d) Presenting diverse performance data, especially in framing the contrast between concrete metrics for some accomplishments and evaluations of "soft outcomes" in others; for example, influencing policy, enhancing coordination and improving participation;

(e) Defining, beyond their regular budget allocations, which other sources of funding should be reported and the appropriate emphasis and detail in the association with strategic organizational goals.

15. Both the content proposed to be included in the annual report and the engagement with methodological challenges have been the subject of extensive

internal consultations. For example, the Audit Operations Committee of the Board of Auditors has consented to provide an independent summary report on an annual basis. Furthermore, technical workshops among the contributors of information from the programmes have addressed the key issues of selecting highlights, challenges and programme results from 2005, as well as identifying the relevant performance data.

16. As to the impact of the publication of the annual report on the United Nations Financial Regulations and Rules, the subject will be evaluated further in conjunction with the other proposals contained in the present report and associated addenda to ensure a comprehensive approach to changes that may be required. Following such review and identification of any required changes to the Financial Regulations, these would be brought to the attention of the General Assembly in due course for its consideration and approval.

17. The requirements for the publication of the 2005 annual report, involving, inter alia, staff resources, design and printing, will be met from within resources approved under the programme budget for the biennium 2006-2007. It is anticipated, however, that in future, in order for the Board of Auditors to conduct annual audits of all financial statements to be included in the report, additional resources would be required by the Board under section 1, Overall policymaking, direction and coordination, of the programme budget. The quantum of resources and programmatic implications for the Board is currently under review by the Board.

III. Streamlining management and finance-related reports

18. The problem of the number of reports and documents requested from various intergovernmental bodies is not new. In particular, it is recalled that in his report on strengthening of the United Nations: an agenda for further change (A/57/387 and Corr.1), the Secretary-General put forward, inter alia, a variety of proposals for reducing the excessive number of reports and documents, and some progress was achieved (see action 11 (a)).

19. In his report on the status of implementation of actions described in the report on strengthening of the United Nations: an agenda for further change (A/58/351), the Secretary-General expressed his intention to request all concerned departments and offices to continue vigorously reviewing their reporting requirements with a view to further consolidating reports, where possible. While some progress has been achieved, more needs to be done and it is now more vital than ever to ensure that the Secretariat provides information in a strategic and creative manner that meets the true demand for knowledge about the work of the United Nations.

20. It is in this context that the proposal was submitted in the report on investing in the United Nations: for a stronger Organization worldwide (A/60/692) to build on earlier work done in rationalizing reporting and to identify possible opportunities for consolidating management and finance-related reports.

21. Accordingly, it is proposed to consolidate over 40 existing reports on management and finance issues into six reports. The complete list of the existing reports proposed to the General Assembly for consolidation is contained in annex I to the present report.

22. In any given recent biennium, more than 150 management-related reports and financial statements are submitted by the Department of Management alone to the General Assembly for consideration. Notably, as reporting requirements continue to increase, from 145 reports during the fifty-fifth session to 166 reports during the sixtieth session, the increasing number of reports results in diminished opportunity to undertake comprehensive and detailed analysis, so that reporting quality could potentially deteriorate. This has the potential of not providing Member States with the full information necessary for them to make well-informed decisions. Accordingly, the main objective underlying the proposal to streamline reports is to provide more strategic and analytical information to Member States to enable them to evaluate Secretariat actions and ensure proper implementation of mandates.

23. In putting forward the proposal, full consultation was undertaken among component offices of the Department of Management with a view to maximizing the value of reporting without compromising quality or quantity. The focus was primarily on reports with either complementary or overlapping subjects, for example, reports pertaining to management improvement measures. In addition, over the past several years, the United Nations has made a sizeable investment in enhanced information and communication technology capacity. However, these enhancements have not been fully exploited to provide real-time reports to Member States. Many reports that consist largely of quantitative or tabular material may be more appropriately provided on the Web or extranet. Accordingly, there are opportunities for innovative, cost-effective and real-time reporting that could better serve Member States' needs for information for effective decision-making, without compromising quality and detail.

24. The proposal continues to be reviewed by the Department of Management. The timing of implementation is subject to General Assembly approval. Should agreement to accept this proposal to consolidate the reports be forthcoming, the Secretariat would begin implementation during the sixty-first session.

IV. Public access to United Nations documentation

25. Under proposal 19 of his report (A/60/692), the Secretary-General proposes a policy that will make possible clearer rules for public access to Secretariat documentation. The objective of the new policy is to make the Secretariat more open, transparent and accountable by facilitating public inquiries into the operations of the Organization in a manner that is consistent with public expectations for global governance in the twenty-first century. The policy will modernize and replace current United Nations rules for access to non-published United Nations documentation. Similar policies at the national and international levels were examined and used in developing this policy. In addition, an analysis was made of the likely impact of the access policy in the context of an assessment of the policy objectives against current information/records management practices across the Secretariat.

26. In brief, the policy put forward by the Secretary-General articulates a clear presumption in favour of public access to all documentation created or received by the Secretariat, unless there is a compelling reason, measured against defined exemptions, to preclude release. By establishing a clear framework of rules for the release of documentation to the public, the policy marks an improvement in the current practice.

27. A necessary element to realizing the objectives of the policy will be capacity-building and managing necessary changes in the work processes of the Secretariat to foster compliance with this policy. The plan of action proposed below focuses on strengthening the Secretariat's records management capacity as a necessary foundation to facilitating public access to Secretariat documentation. The risks of issuing the policy without sufficient capacity and capability for compliant implementation include possible damage to the Organization's credibility and the failure to capitalize on the potential synergies between the access policy and related reform measures, such as knowledge-sharing, governance and accountability. As such, this proposal recommends a phased implementation of the public access to documentation policy.

A. Current access to United Nations documentation

28. Currently, "official" United Nations documentation is accessible via the official document system as well as United Nations information centres. These documents include official records and documents of the Security Council, General Assembly, Economic and Social Council and other United Nations bodies, official communications from Member States and reports of the Secretary-General and of the Secretariat. Similarly, the following are also included: internal rules and guidelines of the Organization, including Staff Regulations and Rules and Financial Regulations and Rules; Secretary-General's bulletins; administrative instructions; information circulars; and various manuals. These documents are freely available to the public in all official languages of the Organization. The publication of "official" documentation in all official languages will continue alongside the policy of broader public access to documentation that is now being proposed. Under the proposed policy of access to documentation, the Secretariat documents that will be made accessible to the public will be available in the language in which they were generated or received by the Organization (unless they have already been translated, in which case they will be released in available languages).

29. Historical records of the Organization that are transferred to the United Nations archives are currently also available for public research when they are 20 years old, provided they are not classified. Access to earlier records and requests to declassify records may be made by the public, although no clear rules or procedures exist as to their release.

30. The Secretariat's regulatory framework in respect of public access to its documentation is, however, neither clear nor systematic at present. Existing administrative rules confirm that such documents are presumptively releasable to the public upon request. However, these instructions and bulletins do not precisely set forth the criteria that are to be applied to refuse access to a given document. Moreover, persons who have been denied access to a Secretariat document have no remedies, as there is no review mechanism.

B. The policy

31. Under the new policy proposed by the Secretary-General, all United Nations departments and offices, including offices away from Headquarters, peacekeeping missions, special political missions and tribunals will make available to the public

any document produced or received by the United Nations, subject to the exceptions below.

32. The policy will apply both to existing and future Secretariat documentation. Documentation will be defined as any kind of information content, including print, digital, audio and video records. Archived, classified, or internal documents are all within this definition of "document". Working documents (i.e. draft resolutions and non-papers) received from Member States or United Nations organs other than the Secretariat will not be subject to the policy.

33. For access to a document to be denied, the document must fall under one of the exceptions summarized below:

(a) Documents generated by the United Nations, received from or sent to third parties under an expectation of confidentiality;

(b) Documents whose release is likely to cause harm to an individual or invade his or her privacy;

(c) Documents whose release is likely to endanger the security of Member States or of the United Nations, including military or peacekeeping operations;

(d) Documents covered by legal privilege, or related to internal investigations;

(e) Internal inter-office or intra-office documents, including draft documents, if release would undermine the Organization's free and independent decision-making process;

(f) Documents containing commercial information, if release would harm either the financial interests of the United Nations or those of other parties involved.

34. In addition, abusive, excessive or vexatious requests may be denied. These exceptions are in line with those adopted by many Member States and international organizations in their laws and policies and are limited to what is necessary to preserve essential public (e.g. peacekeeping missions) or private (e.g. personal privacy) interests.

35. When only some portions of a document are covered by an exception, the confidential portions should be redacted and the remainder of the document should be made available, if feasible.

36. A document falling within an exception in paragraph 33 can nonetheless be released to the public, at the discretion of the Secretary-General, if he or she deems that the interests in favour of access outweigh those protected by confidentiality. Nevertheless, before releasing a confidential document, as detailed in paragraph 33 (a), the Secretary-General should normally obtain the consent of the relevant party.

37. A document falling within an exception in paragraph 33 can also be released if more than 20 years have elapsed since the date of preparation or receipt of the document and the Secretary-General considers that such release is not prejudicial to the interests of the Organization or those of third parties. Documents covered by the exception in paragraph 33 (b) should, however, only be released after 40 years.

38. The Secretariat wishes to encourage the public to take an active interest in its activities. As such, the policy ensures that the procedure to access United Nations documents is as simple as possible. All requests for documents are to be addressed to an office that will be created within the Department of Management which will

refer them to the department or office most likely to hold the document sought by the applicant. The department or office should respond promptly to all requests. Denials of requests must be justified and the applicant will have the possibility to seek reconsideration from an internal committee. The department or office that handled the initial request may provide written comments and can, upon request, be heard by the committee.

39. A number of steps will be taken to ensure that this new policy is broadly disseminated and well publicized. A reference guide will be issued to explain the new policy to the public. An administrative issuance, together with a commentary, if necessary, will be promulgated to implement and explain the policy internally.

40. The Secretariat will ensure that the new policy is effectively implemented by reviewing its implementation annually. This annual report will be made public. The analysis of the report, together with comments by interested parties, will help the Organization continually improve its access practices. Furthermore, the internal and external oversight bodies of the Secretariat (OIOS, the Joint Inspection Unit and the Board of Auditors) are mandated to review the implementation of the policy.

41. The application of this policy will be without prejudice to the Organization's obligations pursuant to international agreements, contracts or similar undertakings or resulting from legislative mandates of the principal United Nations organs.

C. Proposed plan of action

42. It is proposed that implementation of the policy occur in two phases. Phase one would commence following designation by the Department of Management of an office responsible for undertaking the strategic and operational planning for the first phase. This is envisaged as a preparation period of two years, during which the capacity to effectively implement the access to documentation policy in the Secretariat is built, with an emphasis on developing compliant records management programmes across the Secretariat to manage paper and digital records and documents. The policy would not be in force during this period. In phase two, projected to commence in mid-2008, the policy would come into force and be fully operational.

Phase one (2006-May 2008)

43. During phase one, a gap analysis of the capacity of Secretariat offices to implement the policy will be conducted so as to enable appropriate strategic and budget planning for the next biennium. Inventories and analysis of the Organization's information assets will be used to define categories of documentation which could be subject to public access. Change management activities will be planned in order to foster awareness of the need for openness and transparency, in keeping with the policy. In addition, it is foreseen that the following actions will need to be undertaken:

(a) *Prepare related policies, issuances and guidelines.* The relevant administrative issuances and public information material will be prepared. The issuances will cover both public access and internal records management;

(b) *Carry out communication, training and education.* Communication, training and education are key components of change management in the

implementation of the access to documentation policy. Training content and implementation throughout the Organization will be coordinated with the Office of Human Resources Management. An action plan will be formulated, which should include:

(i) documentation access awareness programmes;

(ii) business process analysis programmes;

(iii) brochures and questionnaires;

(iv) Web training, resources, links;

(v) workshops, "feedback programmes", posters and other modes of communication; and

(vi) targeted outreach to all United Nations information providers/brokers/recipients, including Member States and the private sector. Communication, training and education will be ongoing and will be incorporated into the standard learning and development programmes of the Office of Human Resources Management.

(c) *Fully assess the resource impact of the policy on all Secretariat offices.* Understanding the full implications of the policy will require further research and study. While the most obvious impact on Secretariat offices will be the need to respond to access requests in compliant fashion, a range of activities require budgetary consideration, such as: OIOS (monitoring and oversight); the Department of Public Information (use of the United Nations website); the Office of Human Resources Management (change management/training; review of issuances and guidelines); the Office of Legal Affairs (advisory services, participation in the review committee); the Information Technology Services Division (information systems); the Executive Office of the Secretary-General (endorsement, advisory panels, appeals mechanism); and the Office of Programme Planning, Budget and Accounts (chargeback and financing mechanism).

(d) *Develop indicator definitions and transparency standards.* Comprehensive baseline standards need to be developed for transparency for all documentation created or received by the Secretariat. This will entail deconstructing (in cross-cutting, functional analysis) all lines of business of the Organization into broad categories (inter alia, technical assistance, policies and strategies, and Organization-wide evaluations and audits). The broad categories will then be broken down into indicators of transparency based on the types of documentation that result from United Nations business activities.

(e) *Develop an information products inventory.* Based upon the indicator definitions and transparency standards, the transition team will be charged with developing the first draft of an information products inventory, designed to inform the public about which documentation is routinely disclosed. The appraisal and retrospective classification of 60 years of legacy documentation in all formats, including electronic format, represents a huge volume and therefore a significant challenge.

(f) *Declassify disclosable archives.* The United Nations archives will manage (within the request management framework) access requests for historical documentation preserved as archives and inactive documentation transferred to

secondary storage until they can be destroyed under approved retention policy. Current United Nations policy affirms that records over 20 years old should be made widely available unless they are classified; however, inadequate classification of documentation at the point of creation, as well as insufficient resources to conduct declassification reviews, hamper access. During the transition period, specialized resources will be targeted towards screening and declassifying large volumes of archival records in the custody of the archives that meet the criteria for public access.

(g) *Facilitate requests*. A user-friendly request management system will be developed. The request process should be clear, simple and accessible in several ways. Chargeback and financing mechanisms as well as delivery of service at little to no cost will be explored. Such systems will be prototyped and piloted.

(h) *Elaborate an internal review mechanism*. The regulatory infrastructure and composition of the proposed internal review mechanism for individuals who feel they have been wrongly denied access to Secretariat documentation will be elaborated, including developing the rules of procedure.

Phase two (from June 2008 onwards)

44. Within the Department of Management, the office dedicated to manage the public access to documentation programme will be in place and fully staffed and the policy will enter into force. The office requires adequate resources to manage an access to documentation policy effectively. The office will provide resources for staff and management with regard to information and records management, archives management and preservation, as well as access to information. The anticipated functions of the office are:

(a) To disseminate an information products inventory and accessible information, primarily through a dedicated website;

(b) To ensure that the mechanisms for receiving requests and conducting internal reviews are operational;

(c) To ensure communication, training and education;

(d) To ensure reporting, evaluation and improvement.

D. Conclusions and recommendations

45. By establishing capability and capacity for the Secretariat to implement a public access to documentation policy, the Organization will demonstrate good governance through enhanced transparency.

46. The best strategy for the Secretariat to implement the policy and to meet transparency requirements is to improve effective management of its records. Meeting best practices in this area would add value to all Secretariat operations. In this respect, the policy would have the following benefits:

(a) Promoting sound decision-making based on full, accurate and up-to-date information;

(b) Allowing the rationale for those decisions to be traced, scrutinized and justified, as necessary.

(c) Promoting compliant business practices;

(d) Promoting the managed identification of documentation that the Organization may wish to retain or destroy;

(e) Streamlining business processes;

(f) Reducing both human and physical resources needed to manage and exploit records.

47. For the reasons highlighted, the introduction of public access to United Nations documentation is envisaged to be undertaken as a two-phased process. Accordingly, the total estimated funding requirements for phases one and two of the proposal for public access to United Nations documentation amounts to $6,773,000. Of this amount, requirements for phase one, amounting to $1,820,900, would provide for policy implementation, comprising posts ($464,000) and non-post ($1,279,800) resources under section 28 D, Office of Central Support Services, and section 35, Staff assessment ($77,100), to be offset by an equivalent amount under income section 1, Income from staff assessment, under the programme budget for the biennium 2006-2007.

48. The amount requested for posts would provide for three Information Management Officer posts: one P-5 to head the effort, supported by one P-4 and one General Service (Other level). Non-post resources would provide for general temporary assistance ($435,600), contractual services to analyse United Nations information assets, substantive expertise, training development and facilitation, training ($400,000) and other operating costs ($444,200). It is expected that the project costs would rise under phase two largely for the continuing post costs relating to the anticipated initial spike in volume for access to information requests as the policy goes into effect, as well as consulting support and sustained training programmes to develop capacity across the Secretariat. Resource requirements for phase two and ongoing maintenance of the project would be submitted for consideration by the General Assembly in the context of the proposed programme budget for the biennium 2008-2009.

V. Actions required of the General Assembly

49. **The General Assembly may wish:**

(a) **To note the intention of the Secretary-General to submit a single, comprehensive annual report to the General Assembly that would contain both financial and programme information, as referred to in section II of the present report;**

(b) **To welcome the ongoing efforts of the Secretary-General to consolidate reports on related subjects, if so decided by the Main Committees, and endorse the consolidation of the reports reflected in annex I to the present report;**

(c) **To note the policy on public access to United Nations documentation, as set out in section IV of the present report;**

(d) **To decide to appropriate a total amount of $1,820,900, comprising $1,743,800 under section 28 D, Office of Central Support Services, and $77,100**

under section 35, Staff assessment, to be offset by an equivalent amount under income section 1, Income from staff assessment, under the programme budget for the biennium 2006-2007.

Annex I

Reports proposed for consolidation

Report	*Document symbol*	*Action recommended*
		Merge
Report of the Secretary-General on a strengthened and united security management system for the United Nations	A/60/424 with programme budgetary reporting	One merged report (from two)
Report of the Secretary-General on investments of the United Nations Joint Staff Pension Fund	A/C.5/59/11 (two versions)	One merged report (from two), currently submitted twice, once to Pension Board, then to General Assembly. Propose submitting single report through Pension Board Standing Committee
Series of separate annual reports on financing of the United Nations Mission/Operation in	Individual budget and financial performance reports for 16 peacekeeping missions and the support account (see annex II for document symbols)	Two consolidated reports (from 34): a single consolidated budget report covering all peacekeeping operations and the support account; a single consolidated financial performance report and addenda to the main document containing the results-based budget frameworks for each mission and the support account Note: links with proposal 17 on consolidation of peacekeeping special accounts *Benefit*: 38 reports become 4 reports
		Conform cycles
Report of the Secretary-General on the contributions made by the Department of Management to the improvement of	A/60/342 with A/60/70	One biennial report (from four annual submissions); four reports would be merged in content and their cycles

Report	Document symbol	Action recommended
management practices; report of the Secretary-General on progress and impact assessment of management improvement measures		harmonized in a single biennial report *Benefit*: 4 reports become 1 *Produce biennially*
Report of the Secretary-General on administration of justice in the Secretariat: annual report on the outcome of the work of the Joint Appeals Board during 2001 and 2002; annual report on the outcome of the work of the Joint Appeals Board during 2002 and 2003	A/58/300 with A/59/70	One biennial report (from two annual); trend analysis can also be summarized in proposed annual report; decision already taken to integrate Office of Ombudsman reporting into Joint Appeals Board and Panel of Counsel reporting in future *Benefit*: 2 reports become 1 *Use information and communication technology (Web/extranet)*
Report of the Secretary-General on list of staff of the United Nations Secretariat	A/C.5/60/L.2	Eliminate paper report; provide continuously updated information on the Office of Human Resources Management website *Benefit*: Exploit existing technology (qualitative benefit) *Integrate into proposed annual performance report*
Report of the Secretary-General on measures to strengthen accountability in the United Nations	A/60/312	Zero separate report (from one) *Benefit*: 1 report becomes 0 **Total proposed benefit: 45 reports become 6**

Annex II

Document symbols for peacekeeping-related reports

Peacekeeping body or account	*Performance report 2004/05*	*Budget report 2004/05*
United Nations Disengagement Observer Force (UNDOF)	A/60/628	A/58/662
United Nations Interim Administration Mission in Kosovo (UNMIK)	A/60/637	A/58/638
United Nations Interim Force in Lebanon (UNIFIL)	A/60/629	A/58/659
United Nations Logistics Base (UNLB)	A/60/700	A/58/706
United Nations Mission for the Referendum in Western Sahara (MINURSO)	A/60/634	A/58/657
United Nations Mission in Ethiopia and Eritrea (UNMEE)	A/60/615	A/58/658
United Nations Mission in Liberia (UNMIL)	A/60/645	A/58/744
United Nations Mission in Sierra Leone (UNAMSIL)	A/60/631	A/59/286
United Nations Mission in Sudan (UNMIS)	A/60/626	A/60/190
United Nations Mission of Support in East Timor (UNMISET)	A/60/614, A/60/703*	A/59/290
United Nations Observer Mission in Georgia (UNOMIG)	A/60/643 and Corr.1	A/58/640
United Nations Operation in Burundi (ONUB)	A/60/612	A/59/300
United Nations Operation in Côte d'Ivoire (UNOCI)	A/60/630	A/59/289
United Nations Organization Mission in the Democratic Republic of the Congo (MONUC)	A/60/669	A/58/701, A/59/707
United Nations Peacekeeping Force in Cyprus (UNFICYP)	A/60/584	A/58/644

Peacekeeping body or account	*Performance report 2004/05*	*Budget report 2004/05*
United Nations Stabilization Mission in Haiti (MINUSTAH)	A/60/646	A/59/288
Support account	A/60/681 and Add.1	A/58/715